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TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1945

No. 54

SCOTT PAPER COMPANY, PETITIONER,

v.s.

**MARCALUS MANUFACTURING COMPANY, INC.,
AND NICHOLAS MARCALUS.**

**ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT
OF APPEALS FOR THE THIRD CIRCUIT**

PETITION FOR CERTIORARI FILED APRIL 2, 1945.

CERTIORARI GRANTED APRIL 30, 1945.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1945

No. 54

SCOTT PAPER COMPANY, PETITIONER;

vs.

MARCALUS MANUFACTURING COMPANY, INC.,
AND NICHOLAS MARCALUS

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT
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[fol. a]

**IN UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE THIRD CIRCUIT, OCTOBER TERM, 1943**

No. 8589

**AUTOMATIC PAPER MACHINERY COMPANY, INC.,
Plaintiff-Appellee;**

vs.

**MARCALUS MANUFACTURING COMPANY, INC. and NICHOLAS
MARCALUS, Defendants-Appellants**

Appeal from the Judgment of the District Court of the
United States for the District of New Jersey

Appendix for Defendants-Appellants—Filed March 18, 1944

[File endorsement omitted.]

[fol. 1] **IN UNITED STATES DISTRICT COURT, DISTRICT OF NEW
JERSEY**

RELEVANT DOCKET ENTRIES

- April 1, 1943. Complaint Filed.
- April 23, 1943. Answer of individual defendant.
- April 23, 1943. Answer of corporate defendant.
- Nov. 26, 1943. Plaintiff's motion for summary judgment.
- Jan. 12, 1944. Opinion of Court.
- Feb. 7, 1943. Judgment.
- Feb. 7, 1943. Notice of Appeal.

IN UNITED STATES DISTRICT COURT

Civil 2826

**FINDINGS OF FACT, CONCLUSIONS OF LAW AND OPINION—
January 12, 1944**

SMITH, District Judge:

This is a civil action under the patent laws to enjoin the infringement of a patent and to compel an accounting for

profits. The plaintiff is admittedly the owner of the patent in suit under an assignment by the defendant Nicholas Marcalus. The only issue raised in the pleadings of the respective parties is that of infringement.

The action is before the Court at this time on a motion for summary judgment filed by the plaintiff pursuant to Rule 56 of the Rules of Civil Procedure, 28 U. S. C. A. foll. 723(c), and is submitted on the pleadings, affidavits, depositions, and exhibits. It clearly appears from this record that there is "no genuine issue as to any material fact" within the meaning of the said rule.

It is conceded by the plaintiff and the defendants that the issue of infringement may be decided on the present record. The patent in suit is a simple one and may be construed by the Court without the assistance of experts. This [fol. 2] is equally true of the prior art patent, upon which the defense of non-infringement primarily rests. The ultimate issue of fact, that of infringement, as here raised, is subordinate to the principal issue of law, the construction of the patents. The parties are in substantial agreement on the evidence and admit that on a trial of the action no additional evidence would be offered.

Facts

The plaintiff, Automatic Paper Machinery Company, Inc., is, and was since February 2, 1932, the owner of Patent No. 1,843,429, issued on the application of the defendant Nicholas Marcalus, who, prior to the issuance thereof, assigned all right, title, and interest therein to the plaintiff. The patent issued on the application as filed and after the said defendant had withdrawn from the plaintiff, of which he was, at the time of the assignment, and had been since 1924, an officer and employee.

The defendant Nicholas Marcalus, under circumstances not material to the present controversy, withdrew from the plaintiff in 1931, and in 1932 organized the defendant Marcalus Manufacturing Company, a corporation, of which he is, and has been since its organization, the president and principal stockholder. The only other officers and stockholders are, and have been, his wife and son. The defendant Marcalus Manufacturing Company is undoubtedly the alter ego of the defendant Nicholas Marcalus.

The defendant Marcalus Manufacturing Company is, and has been since its organization, engaged in the manu-

facture of dispensing boxes, in competition with the plaintiff. It is here charged that the machine or press employed by this defendant in the manufacture of the said boxes is [fol. 3] an infringement of the patent in-suit, and particularly claims 3, 4 and 7 thereof.

The patent in suit, hereinafter referred to as the Marcalus patent, embraces eleven claims and covers "a method and machine for mounting a cutting strip of a hard non-metallic substance on an edge of a box blank." Claim 4, which is typical, defines the machine as follows:

"In a press for mounting a cutter upon a box blank, the combination of a reciprocable ram, means for feeding a sheet of cutter material into overlapping relation to a box blank beneath the ram, means for severing a cutter from the sheet and securing it to the blank on each downward movement of the ram, and means operated by each upward movement of the ram for actuating the sheet feeding means."

The method claims, 10 and 11, are directed to the successive operations performed by the respective elements of the machine. It seems unnecessary, therefore, to separately consider these claims.

The accused machine is identical in its basic structural elements with the combination defined in the quoted claim. This identity is easily demonstrated by comparing the elements of the invention, as defined in the quoted claim, with the elements embodied in the accused machine. This comparison, with the elements of the accused machine described in parentheses, follows:

"In a press for mounting a cutter upon a box blank," (a punch press of common construction adapted to the peculiar operations) "the combination of a reciprocable ram," (a ram of common construction adapted to the peculiar operations) "means for feeding a sheet of cutter material into overlapping relation to a box blank beneath the ram," (a delivery roller and a pair of feed rollers arranged in series to guide and feed the material to a pair of cutting dies) "means for severing a cutter from the sheet and securing it to the blank on each downward movement of the ram," (a pair of serrate cutting dies, one fixed and the other moveable, so mounted

above an anvil, as to permit the severance of the material and its attachment to the box blank in a single operation) "and means operated by each upward movement of the ram for actuating the sheet feeding means." (a combination of a ratchet wheel and a reciprocating pawl so mounted that on each upward movement of the ram the ratchet wheel is moved counter-clockwise, thereby rotating the feed rollers).

Any doubt on the question of encroachment is dissipated upon reference to the specifications of the patent. It is obvious that the accused press is similar in both construction and operation to the press described and illustrated in the specifications, and differs only in the arrangement of its structural elements. This rearrangement of elements, without the production of any new or different result, is not a sufficient departure from the invention to avoid the charge of infringement.

The defendants, in support of their defense of non-infringement, offer in evidence the Inman patent. (No. 1,036,851), which expired on August 27, 1929, more than two years before the Marcalus patent issued. It is the contention of the defendants that the accused machine follows the teachings of the Inman patent, which they have a right to appropriate without subjecting themselves to liability for infringement.

The Inman patent is a complete anticipation of the Marcalus patent. The subjects of the respective patents are substantially identical and are adapted to, and intended [fol. 5] for, the same use. The machine of the Inman patent differs from the machine of the Marcalus patent only in the arrangement of its structural elements. It is significant that the accused machine reads element for element on the claims of either patent, and without the substitution of equivalent expedients.

It is obvious that under these facts the principal question presented for decision is one of law—May the defendants defeat the assignment and the estoppel inherent therein by their resort to the prior art? It is our opinion that they may not.

Discussion

It is conceded that under well settled principles the assignor of a patent, although estopped to deny the validity

of his patent, is free to deny and meet the charge of infringement made by his assignee. This general rule, however, is not without limitation. The limitation, as here applicable, was defined by the Supreme Court in the case of *Westinghouse Co. v. Formica Co.*, 266 U. S. 342, 350, wherein the rule was stated as follows:

"If one lawfully conveys to another a patented right to exclude the public from the making, using and vending of an invention, fair dealing should prevent him from derogating from the title he has assigned, just as it estops a grantor of a deed of land from impeaching the effect of his solemn act as against his grantees. The grantor purports to convey the right to exclude others; in the one instance, from a defined tract of land, and in the other, from a described, and limited field of useful arts. The difference between the two cases is only the practical one of fixing exactly what is the subject matter conveyed. A tract of land [fol. 6] is easily determined by survey. Not so the scope of a patent right for an invention."

"As between the owner of a patent and the public, the scope of the right of exclusion granted is to be determined in the light of the state of the art at the time of the invention. Can the state of the art be shown in a suit by the assignee of a patent against the assignor for infringement to narrow or qualify the construction of the claims and relieve the assignor from the charge? * * * We think, * * *, in view of the peculiar character of patent property, * * * the state of the art may be considered. Otherwise the most satisfactory means of measuring the extent of the grant the Government intended and which the assignor assigned would be denied to the court in reaching a just conclusion. OF COURSE, THE STATE OF THE ART CAN NOT BE USED TO DESTROY THE PATENT AND DEFEAT THE GRANT, BECAUSE THE ASSIGNOR IS ESTOPPED TO DO THIS. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable." (Emphasis by this Court.)

The rule permits the introduction of evidence of the prior art for the sole purpose of defining the limits of the patent grant and the co-extensive estoppel, but the limitation embodied in the rule precludes the introduction of such evidence for the purpose of destroying the grant and defeating the assignment. The application of the rule is clearly circumscribed by the limitation.

The claims, as the measure of the patent grant, determine the scope of the estoppel, and, as between the assignor and the assignee, should be liberally construed so as to prevent any derogation of the assignment. The estoppel, as thus determined, extends to every device or method [fol. 7] within the fair meaning of the claims. *Leader Plow Co. v. Bridgewater Plow Co.*, 237 Fed. 376, 377; *Piano Motors Corporation v. Motor Player Corporation*, 282 Fed. 435, 437; *Libbey Glass Mfg. Co. v. Albert Pick Co.*, 63 F. 2d 469, 470; *Stubnitz-Green Spring Corp. v. Fort Pitt Bedding Co.*, 110 F. 2d 192, 197. Since the claims must be construed in the light of the prior art, the assignor may invoke the prior art but for the sole purpose of limiting the claims and their coextensive estoppel. The assignor, however, may not invoke the prior art for the ostensible purpose of limiting the claims, but for the real purpose of challenging their validity for lack of novelty. *Alvin Mfg. Co. v. Sharling*, 100 Fed. 87; *Hurwood Mfg. Co. v. Wood*, 138 Fed. 835; *Automatic Switch Co. v. Monitor Mfg. Co.*, 180 Fed. 983; *Piano Motors Corporation v. Motor Player Corporation*, *supra*; *Swan Carburetor Co. v. General Motors Corporation*, 42 F. 2d 452, aff'd 44 F. 2d 24; *Libbey Glass Mfg. Co. v. Albert Pick Co.*, *supra*; *Cross Paper Feeder Co. v. United Printing Mach. Co.*, 220 Fed. 313, modified 227 Fed. 600. The assignor will not be permitted to defeat the estoppel by indirection.

It seems reasonably clear that under these principles the defense of non-infringement, although available to the defendants, may not rest, as it does here, solely on the Inman patent. This patent not only negatives infringement but it invalidates the Marcalus patent and defeats the assignment. If we were to permit the defense of non-infringement to rest on the Inman patent, the defendants would achieve, by indirection, the destruction of the Marcalus patent and the defeat of its assignment, and this the defendants may not do. But see *Casco Products Corporation v. Sink Tool & Mfg. Co.*, 116 F. 2d 119, 121; *Dixie-Vortex Co. v. Paper*

[fol. 8] *Container Mfg. Co.*, 130 F. 2d 569, 577. These decisions, however, were in suits by licensors against their licensees.

The contention of the defendant Marcalus Manufacturing Company that the estoppel does not extend to the corporation is untenable. It is well established that the estoppel is effective against the assignor and all those in privity with him, including a corporation of which he is an officer and stockholder. *Mathews Gravity Carrier Co. v. Lister*, 154 Fed. 490; *Onondaga Indian Wigwam Co. v. Ka-Noo-No Indian Mfg. Co.*, 182 Fed. 832; *Leader Plow Co. v. Bridgewater Plow Co., supra*; *Piano Motors Corporation v. Motor Player Corporation, supra*; *Buckingham Products Co. v. McAleer Mfg. Co.*, 108 F. 2d 192.

The affirmative defenses of laches and estoppel, which the defendants raise for the first time in their answering affidavit, are not considered because they were not pleaded as required by Rule 8(c) of the Rules of Civil Procedure. It is our opinion, however, that the facts stated in the affidavit will not support either defense, and for that reason we are not inclined to grant the defendants leave to amend their pleading.

Conclusions

The machine used by the defendants in the manufacture of dispensing boxes is an infringement of the patent in suit, the validity of which the defendants are estopped to deny. The said infringement will be enjoined and the defendants will be required to account to the plaintiff for the profits realized from this use of the infringing machine.

The plaintiff shall submit, on notice to the defendants, a proper decree.

[fol. 9] IN UNITED STATES DISTRICT COURT

Civil—2826

INTERLOCUTORY JUDGMENT

This cause having come on to be heard on plaintiff's motion for summary judgment under Rule 56, Rules of Civil Procedure, on the pleadings, deposition and affidavits herein, it is

Ordered, adjudged and decreed:

1. That, except as to the amount of damages, there is no genuine issue of any material fact within the meaning of Rule 56.
2. That plaintiff, being entitled to a judgment as a matter of law, its motion for summary judgment be, and the same hereby is granted.
3. That plaintiff, Automatic Paper Machinery Company, Inc., is now and has been, since its date of issue, the sole owner of the patent in suit No. 1,843,429, and of all claims for profits and damages arising out of all infringements of it.
4. That defendants are estopped to deny the validity of Patent No. 1,843,429.
5. That since the issue of Patent No. 1,843,429, and prior to the filing of the complaint in this suit, the defendants, Marcalus Manufacturing Company, Inc., and Nicholas Marcalus have made and used in the United States machines for mounting cutters on box blanks which machines embody the invention of that patent and, in particular, the invention defined in Claims 1, 2, 3, 4, 7 and 8 thereof, and that they have infringed those claims after notice of infringement.

[fol. 10] 6. That perpetual injunctions issue out of and under the seal of this Court directed to the defendants, Marcalus Manufacturing Company, Inc., and Nicholas Marcalus, their officers, directors, employees, agents and workmen and all claiming or holding under or through either, enjoining and restraining them and each of them during the remainder of the term of Patent No. 1,843,429 from directly or indirectly, making, using or selling or offering for sale machines for mounting cutters on box blanks embodying the invention described in that patent and secured by its claims, Nos. 1, 2, 3, 4, 7 and 8 and from in anywise infringing upon plaintiff's exclusive rights in the premises.

7. That the plaintiff recover from defendants the profits that each of them has derived, received or made by reason of its or his infringement of the patent in suit and that plaintiff also recover from the defendants all damages which it, the plaintiff, has sustained by reason of those infringements.

8. That this cause be referred to *** as a Special Master of this Court, to take and state an account of the defendants' profits, to assess the plaintiff's damages and to report thereon to this Court with all convenient speed, and that the defendants, their officers, agents and employees are hereby directed and required to attend before the Master from time to time as he shall direct and to produce before him such apparatus, books, papers, vouchers, documents and writings as he may require, and to submit to such oral examination, or otherwise as he may require in connection with the accounting and the assessing of damages.

[fol. 11] 9. That plaintiff recover the costs of this litigation including the costs of the accounting ordered by this judgment; all to be taxed by the clerk.

Approved:

Smith, United States District Judge.

February 8th, 1944.

(Here follow 4 photolithographs, side folios 12-15)

Plaintiff's Exhibit 4

Patented Feb. 2, 1932

1,843,429

UNITED STATES PATENT OFFICE

NICHOLAS MARCALUS, OF ELIZABETH, NEW JERSEY, ASSIGNOR TO AUTOMATIC PAPER MACHINERY CO. INC., A CORPORATION OF NEW JERSEY

MOUNTING CUTTERS ON BOX BLANKS

Application filed December 4, 1930. Serial No. 499,959.

This invention relates to the manufacture of boxes for the dispensing of rolled paper and has to do particularly with a method and machine for mounting a cutting strip of hard non-metallic substance on an edge of box blank.

In my Patent No. 1,630,495 I have described and claimed a dispensing box for rolled paper provided with a serrated metal cutter secured to the upper edge of the front wall of the box, across which cutter the paper is torn after the desired length has been unrolled. This box has been successfully used commercially as a dispensing container for rolled waxed paper. When the paper is used up the box is thrown away. It is not refilled. The entire package including the box with its cutter and the roll of paper must be sold for a few cents which means that the box itself with the cutter must cost not more than half a cent—preferably less. One of the important items contributing to the cost of the box is the metal out of which the cutter is fashioned. Cheaper materials, indurated paper such as stencil board, stiff parchmentized paper and the like, have been proposed, but their use has necessitated relatively expensive preforming and stapling operations.

In accordance with the present invention I have provided a method and a machine by means of which a sheet of indurated paper and a box blank are fed to a press, in overlapping relationship, and a cutting element is severed from the forward end of the sheet and secured along the edge of the box blank in what is substantially one operation. Properly spaced spots of glue are applied to the indurated paper or the box blank as they are fed forward, and the blow of the press which applies pressure to the overlapping glued members also severs the glued strip from the indurated paper to form the cutter and in so doing serrates its cutting edge. In order that the shearing operation which severs the cutting element from the sheet of cutter material shall not disturb the relation between that element and the box blank, I so arrange the press that pressure is applied to the overlapping edges of the blank

and the cutter material slightly before the shearing operation and is continued slightly thereafter.

In the accompanying drawings I have illustrated a machine embodying my invention and also a completed box manufactured in accordance with it. In these drawings, Figure 1 is a front elevation, partly in section, of a press embodying my invention; Figure 2 is a horizontal section taken along line 2—2 of Figure 1 and Figure 3 is a group of details of the completed box.

In these drawings, 1 indicates a punch press of ordinary construction, except as redesigned in accordance with my invention. Mounted on the vertically reciprocable ram 30 of the press is a spring-pressed pressure member 2 and a shearing die 3 provided with a serrated cutting edge. An anvil 15 is bolted on the bed of the press and co-operates with the parts carried by the ram. Mounted within this anvil are two spring-pressed plungers 16 designed to co-operate with the presser 2 to hold the box blank B, during the shearing operation, and two similar spring-pressed plungers 20 are designed to bear against the sheet of cutter material C at the same time. The anvil is also provided with a fixed shearing die 17 having a serrated edge and designed to co-operate with the movable die 3. On either side of the anvil are mounted stops 18 which serve to position the blank B while the spring-pressed plungers 16 serve as positioning stops for the cutter material C.

Mounted on a bracket on the lower right-hand side of the press, as viewed in Figure 1, is a jumbo roll 14 of indurated paper or stencil board which forms the cutter material. This paper is fed upward and horizontally forward against the plungers 16 by passing between feed rollers 9 and 13. The roller 13 is preferably a cylindrical roller extending the full width of the cutter material, but, as illustrated in Figure 2, there are two roller sections 9. Mounted on the same shaft as the roller sections 9 are three glue-applying rollers or disks, 8 provided with a plurality of peripherally spaced glue-applying areas. Mounted adjacent the roll-

ers 8 and 9, and contacting with the former, are three glue-feeding rollers or disks 10 which dip within a glue trough 11, electricaly heated by means of heating coils 12, and transfer glue to the glue-applying disks 8. A doctor 25 regulates the amount of glue picked up by the glue-feeding rollers 10 and carried by them to the glue disks 8. The rollers 18, 8, 9 and 10 are geared to rotate in unison through gear chains 22, 23 and 24.

An arm 4, carried by the ram, is connected by means of a link 5 to an oscillating arm 31 loosely mounted on the shaft carrying the rollers 8 and 9. This arm 31 is provided with a pawl 6 co-operating with a ratchet 7 fixed to the shaft. During each downward movement of the ram the pawl 6 slides over the ratchet teeth, but on each upward movement it engages one of the teeth and rotates the feeding rollers 9, and with them the feeding roller 18 and the glue disks 10. This rotation feeds the cutter material forward and applies spots of glue to its upper face.

The operation of the machine is as follows: With the cutter material C in the position illustrated in Figure 1 with its forward edge abutting against the spring-pressed plunger 16, the operator places the box blank B against the stops 18 so that its forward edge overlaps the forward end of the cutter material, the parts then occupying the position shown in Figure 1. Upon the next downward movement of the ram, the presser 2 forces the forward edge of the box blank into contact with the glued forward end of the cutter material and exerts sufficient pressure to join the two. The same blow of the press shears a cutting element from the forward end of the sheet of cutter material between the upper movable die 8 and the lower fixed die 17. The pressing and cutting actions are effected almost simultaneously, but as the presser 2 extends normally slightly below the movable die 8, as illustrated in Figure 1, pressure on the overlapping blank and cutter material is effected slightly before the shearing action takes place, so that the parts are firmly held together during the shearing action. On the return movement of the ram, due to the action of the presser spring, the shearing dies separate slightly before the presser releases its pressure on the blank and cutter, thus insuring that the stripping of the dies shall not, in any way, disturb the relation between the severed cutter and the blank. During the upward movement of the ram the operator removes the blank upon which the cutter has been mounted and substitutes a new blank. Meanwhile, through the operation of the pawl and ratchet 6 and 7, the cutter sheet has been fed forward again against the plungers 16 and the parts are in readiness for a second operation. The glue disks 8 apply the requisite amount of glue in three spots as the cutter material is fed

forward, these glue spots being so positioned as to fall beneath the overlapping end of the box blank during the pressing operation, but so as not to extend beyond the edge of the blank and appear on the serrated edge.

After each pressing and severing operation the blank is provided with a serrated cutting edge as illustrated clearly in Figure 2, the serrations extending slightly beyond the forward edge of the blank.

Figure 3 illustrates a blank with its cutting edge after it has been folded into box form, and also illustrates the manner in which the rolled paper within the box is unwound and torn off along the serrated cutting edge.

By means of the method and machine of my invention I am enabled to use a cutter material cheaper than metal. By mounting the cutter on the box blank and severing it at one blow of the press, and by feeding the cutter material automatically I can further reduce the cost of operation.

I claim:

1. In a machine for mounting a cutter upon a box blank, the combination of means for feeding a sheet of cutter material into overlapping relation to a box blank, means for securing the forward end of the cutter material to the blank and means for severing said forward end to form a cutter.

2. In a machine for mounting a cutter upon a box blank, the combination of means for feeding a sheet of cutter material into overlapping relation to a box blank, means for applying glue, means for pressing the overlapping edges together, and means for severing the forward end of the cutter sheet to leave a cutter on the blank with its cutting edge extending slightly beyond the blank.

3. In a machine for mounting a cutter upon a box blank, the combination of means for unwinding a sheet of cutter material from a roll and feeding it into overlapping relation to a box blank, means for applying glue, means for pressing the overlapping edges together, and means for severing the forward end of the cutter sheet to leave a cutter on the blank with its cutting edge extending slightly beyond the blank.

4. In a press for mounting a cutter upon a box blank, the combination of a reciprocable ram, means for feeding a sheet of cutter material into overlapping relation to a box blank beneath the ram, means for severing a cutter from the sheet and securing it to the blank on each downward movement of the ram, and means operated by each upward movement of the ram for actuating the sheet feeding means.

5. In a press for mounting a cutter upon a box blank, the combination of a reciprocable ram, a yieldable presser and a shearing die carried by the ram, a fixed co-operating anvil and shearing die, means for feeding a sheet of cutter material between the ram and the anvil in overlapping relation to a box

ank, and means for applying glue to the latter material as it is fed forward; the downward movement of the ram operating to press the overlapping edges together and over the forward end of the cutter sheet to leave a cutter glued to the blank with its cutting edge extending slightly beyond the blank.

6. In a press for mounting a cutter upon a box blank, the combination of a reciprocable ram, a yieldable presser and a serrated shearing die carried by the ram, a fixed co-operating anvil and shearing die, means for feeding a sheet of cutter material between the ram and the anvil in overlapping relation to a box blank, and means for applying glue to the latter material as it is fed forward; the downward movement of the ram operating to press the overlapping edges together and over the forward end of the cutter sheet to leave a cutting element glued to the blank with its serrated cutting edge extending slightly beyond the blank, the action of the presser preceding that of the shearing die and continuing until after the material has been stripped from the die.

7. In a press for mounting a cutter upon a box blank, the combination of a ram, a presser and a cutting die carried by the ram, feed rollers for feeding a sheet of cutter material beneath the presser and cutting die and into overlapping relation to a box blank, and means for applying glue to the cutter material as it is fed forward; the downward movement of the ram operating to secure the forward end of the cutter material to the blank and sever it to form a cutter.

8. In a press for mounting a cutter upon a box blank, the combination of a ram, a presser and a cutting die carried by the ram, feed rollers for feeding a sheet of cutter material beneath the presser and cutting die and into overlapping relation to a box blank, means for applying glue to the cutter material as it is fed forward; the downward movement of the ram operating to secure the forward end of the cutter material to the blank and sever it to form a cutter; and means actuated by the upward movement of the ram to rotate the feed rollers to feed the cutter material forward again.

9. In a press for mounting a cutter upon a box blank, the combination of a ram, a presser and a cutting die carried by the ram, feed rollers for feeding a sheet of cutter material beneath the presser and cutting die and into overlapping relation to a box blank; and glue rollers for applying spots of glue to the cutter material as it is fed forward; the downward movement of the ram operating to secure the forward end of the cutter material to the blank and sever it to form a cutter; and means actuated by the upward movement of the ram to rotate the feed rollers to feed the cutter material forward again.

10. The method of mounting a non-metallic cutter upon a box blank which comprises placing a sheet of cutter material into overlapping relation to a box blank, applying glue, pressing the overlapping parts to join them, and while still under pressure severing the cutter material to leave a cutter glued to the blank with its cutting edge extending beyond the blank.

11. The method of mounting a non-metallic cutter upon a box blank which comprises placing a sheet of cutter material and a box blank with their edges overlapping, applying glue, pressing the overlapping parts to join them, and while still under pressure severing the cutter material to leave a cutter with a serrated cutting edge glued to the blank with its cutting edge extending slightly beyond the blank.

In testimony whereof I affix my signature.

NICHOLAS MICALUS.

10D

15

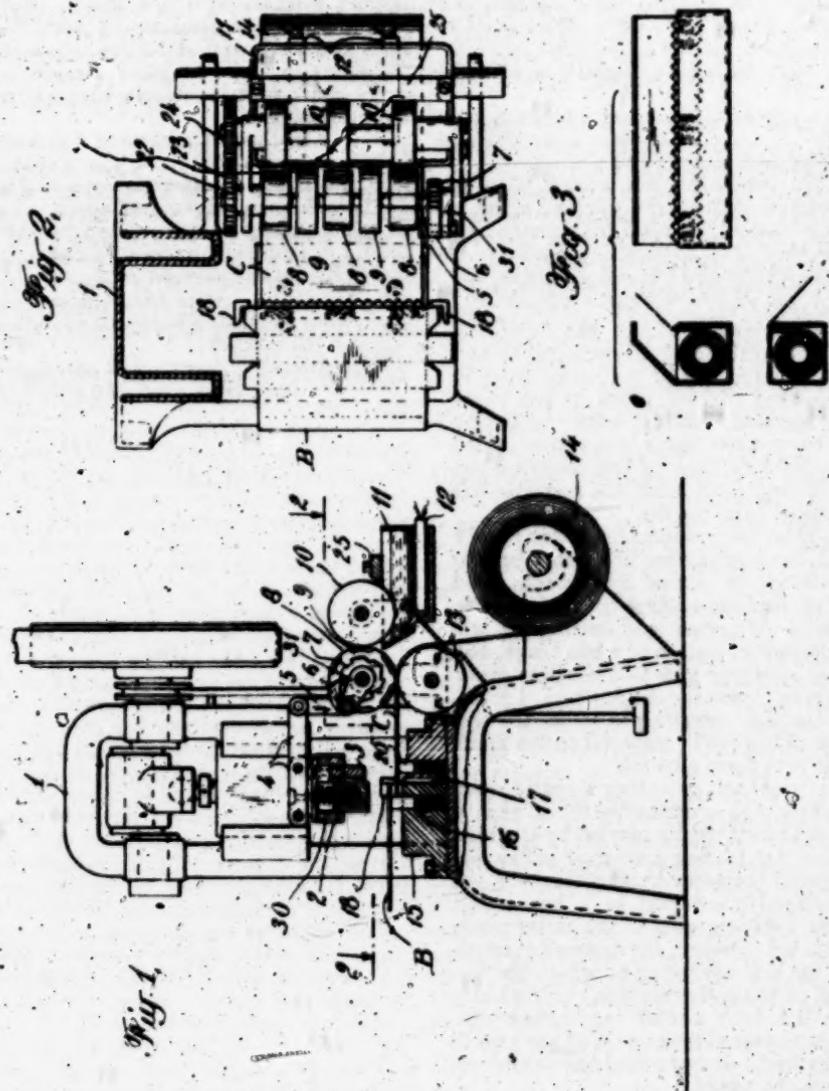
Feb. 2, 1932.

N. MARCALUS

1,843,429

MOUNTING CUTTERS ON BOX BLANKS

Filed Dec. 4, 1930



INVENTOR
Nicholas Marcalus
BY
Perris, Davis, Marcalus & Evans
ATTORNEY

[fol. 16] IN UNITED STATES DISTRICT COURT, DISTRICT OF NEW JERSEY

Civil Action No. 2826

AUTOMATIC PAPER MACHINERY CO., INC., Plaintiff,

vs.

MARCALUS MANUFACTURING CO., INC., and NICHOLAS MARCALUS, Defendants

AFFIDAVIT IN OPPOSITION TO MOTION FOR SUMMARY JUDGMENT
—Filed December 6, 1943

COUNTY OF NEW YORK,
State of New York, ss:

Donald J. Overocker, being first duly sworn, deposes and says as follows:

I am of legal age, an attorney at law, and am employed by the firm of Darby & Darby. I have worked in close association with Mr. Samuel E. Darby, Jr., a member of that firm, in the preparation for the defense of this action, and am familiar with the facts relevant thereto.

I have read and I understand the affidavits of George E. Middleton and Roswell H. Rausch in support of plaintiff's motion for summary judgment.

The facts of the case, which it is believed conclusively prevent summary judgment and necessitate a trial on the merits, are as follows:

1. Although the patent in suit issued to defendant, Nicholas Marcalus, the principal defendant in this case is a corporation, and as such, by Paragraph 7 of its answer, the [fol. 17] corporate defendant attacks the validity of the patent for the reasons therein stated. The patent in suit has never heretofore been adjudicated, and it appears that the Marcalus patent is completely anticipated by, or discloses no patentable invention over the expired patent to Inman No. 1,036,851, granted August 27, 1912 (a copy of which is attached hereto as Defendant's Exhibit 1). It is obvious, therefore, that the issues presented by the pleadings in this case may not be disposed of by summary judgment and can only be resolved after a trial on the merits.

It is true that the patentee Nicholas Marcalus is also named as a defendant in the case, but by the complaint he is not charged with personally committing acts of infringement as an individual independently of or apart from his actions as President of the defendant corporation, and Paragraph 2 of his answer specifically denies that he has done so, with the consequence that the complaint must be dismissed as to him. (*Steiner Sales Co. v. Darman Mfg. Co.*, 33 F. Supp. 422, 429, 430; *Telling v. Bellows-Claude Neon Company*, 77 F. (2d) 584, C. C. A. 6, certiorari denied, 56 S. Ct. 108; *Dangler et al. v. Imperial Machine Co.*, 11 F. (2d) 945, 947, C. C. A. 7; *Bowers v. Atlantic G. & P. Co.*, 104 F. 887). In the latter case the Court said (p. 892)—

"He (the individual defendant) is an inhabitant of this district, but has never infringed the complainants' patents as an individual, and has done nothing in the matter except in his official capacity as secretary and treasurer of the corporation defendant. There is no pretense that the corporation is financially irresponsible or that a decree against it will not give adequate relief. It is hardly probable that the complainants will agree to retain the suit here against the defendant Wood alone, but in any event the weight of the authority is to the effect that the action cannot, in these circumstances, be maintained against him".

[fol. 18] In an Admiralty Case where the facts were analogous, Judge Maris ruled in the case of *The U. S.* 219 (21 F. Supp. 466, at p. 470)—

"Although Wheaton and Fisher were joined as defendants it is clear that they acted throughout only as officers of Steel and not on their own account. The libel should, therefore, be dismissed as to them."

Therefore, for the purposes of this motion at least, any inhibition to attack the validity of the patent in suit that might attach to Mr. Marcalus does not attach to the corporation, and the issue of validity of the patent must be tried.

2. It is now generally recognized that there is a public interest involved in every patent infringement suit. Judge Frank, speaking for the Second Circuit Court of Appeals, recently expressed that judicial attitude of the Courts in

Nachman Spring-Filled Corporation v. Kay Manufacturing Corp. (opinion rendered November 18, 1943), saying—

“ . . . Muncie Gear Co. v. Outboard, 315 U. S. 759, 766, 768 seems to us to hold that regard for ‘the public interest sought to be safeguarded by the patent statutes and so frequently present but so seldom adequately represented in patent litigation’ requires that an upper court should consider important defenses in such litigation even though not raised in the court below.”

And the Supreme Court, long ago in *Brown v. Pieper*, 91 U. S. 37, held that a Court, *suo sponte*, should hold a patent to be invalid if the Court was of that opinion even though no attack on its validity had been made.

Again, in its recent decision in *Sola v. Jefferson*, 317 U. S. 173, the Supreme Court permitted a licensee under a patent to attack the validity of the patent because of the public interest. Of course a patentee or patent owner is in [fol. 19] no more favorable a position, where public interest is involved, than is a licensee under the patent.

Thus, where it is apparent, as it is here, that the Marcalus patent in suit is so obviously invalid for anticipation by or want of invention over the expired Inman patent, the public interest requires that the Court should invalidate it “so that it should not remain in the art as a scarecrow” (opinion by Judge Learned Hand, rendered November 17, 1943, in *Bresnick, et al. v. U. S. Vitamin Corp.*).

3. On November 27, 1935 (*nearly four years after the issuance of the patent in suit*) plaintiff instituted suit in this Court against these defendants for alleged infringement of patent rights of plaintiff by reason of defendant's manufacture and sale of rolled waxed paper in dispensing boxes made of cardboard (one of which I have marked Defendant's Exhibit 2). That suit, as is the present one, was entitled *Automatic Paper Machinery Co., Inc. v. Marcalus Manufacturing Co., Inc. and Nicholas Marcalus*, and was designated No. E-5534 in Equity. That suit terminated by the opinion of the Circuit Court of Appeals (Judges Biggs, Maris and Jones, opinion by Judge Biggs, 110 F. (2d) 304) holding that the boxes of defendants constituted no infringement of the patent of plaintiff there involved (which patent was likewise issued to defendant Nicholas Marcalus on May

31, 1927, No. 1,630,495, and a copy thereof is attached hereto as Defendant's Exhibit 3). At the time of the institution of that suit plaintiff knew that the cutting edge of defendants' box was applied to the box blank by machine. A comparison between the box now produced by defendants (Plaintiff's Exhibit 3) and the one charged to infringe in that case (Defendants' Exhibit 2) shows that they are identical, differing only in that the cutting edge of the earlier box was made of metal, fastened to the box cover, whereas in the [fol. 20] present box the cutting edge is made of a non-metallic fiber glued to the box cover. Of course, it is well established that a mere *difference in the material upon which a machine operates* does not denote invention (*United States Gypsum Co. v. Consolidated*, 130 F. (2d) 888, C. C. A. 6).

It is apparent that one or more of the claims of the Marcalus patent here in suit would read upon any machine for producing defendants' earlier box. For example, claim 1 recites—

"In a machine for mounting a cutter upon a box blank, the combination of"—

- (1) "means for fitting a sheet of cutter material into overlapping relation to a box blank",
- (2) "means for securing the forward end of the cutter material to the blank", and
- (3) "means for severing said forward end to form a cutter".

From this it will be seen that the claim is not concerned with the *structure* of the various parts of the machine for performing the recited functions, but merely defines these as "means". Therefore, the mere knowledge that defendant was producing by machine his box challenged as an infringement inevitably was also knowledge that its production by machine inevitably would constitute infringement, in terms, of the Marcalus patent here in suit. But the Court of Appeals for this Circuit decreed that the box did *not* infringe the patent rights of plaintiff, and I am informed and believe, and therefore state, that throughout the years since the defendant corporation was formed in 1932 it has manufactured and sold these boxes. It therefore becomes obvious [fol. 21] that plaintiff is estopped to assert infringement of

the patent in suit, or of any other patent of plaintiff of which it was possessed at the time of institution of its prior suit against these defendants on November 27, 1935—(a) because of failure to assert such claim at that time (*Robinson on Patents*, Section 1108, Note 1; *Clephane on Pleadings and Practice*, 1926, p. 212, "Splitting Demands"; *Hays v. Bicklehaupt*, 25 F. Rep. 183); and (b) because of its laches in failing sooner to assert such claim at some time throughout all the years that defendant has been manufacturing the same box structure in the same manner (Cf. *Triplex v. Kolb*, 53 F. (2d) 1062, Judge Kirkpatrick; *Cinema v. Warner Bros.*, 55 F. (2d) 948, affirmed 66 F. (2d) 744).

It may be that the answer of the corporate defendant may require amendment to crystallize these issues, but the fact remains that these issues may not be disposed of by summary judgment.

4. Wholly apart from any issues of validity of the patent in suit or the right of plaintiff to maintain this suit, *the defendants by their answer deny infringement of the patent in suit* and it is my opinion that there is no infringement. It is well settled law that even a literal application of a patent claim does not prove infringement—it merely suggests infringement (*Westinghouse v. Boyden*, 170 U. S. 536, 568; *Tostevin-Cottie Mfg. Co. v. Ettinger*, 254 F. 434, 435, C. C. A. 2nd, C. C. A. 2d). As the Court said in the latter case—

"If a claim cannot be read on a defendant's device, there can be no infringement; but if it can be so read, infringement is suggested, not proved. The prior art, as well as the disclosure, must still be studied."

[fol. 22] And, in the former case, the Court said—

"The patentee may bring the defendant within the letter of his claims, but if the latter has so far changed the principle of the device that the claims of the patent, literally construed, have ceased to represent his actual invention, he is as little subject to be adjudged an infringer as one who has violated the letter of a statute has to be convicted, when he has done nothing in conflict with its spirit and intent."

With respect to the "principle of operation", it should be noted that Mr. Rausch's affidavit states (p. 3)—

"The principle of operation of this machine (defendants' machine here charged to infringe illustrated in Plaintiff's Exhibit 1) and that of the machine of the patent in suit are the same". (Matter in parenthesis mine.)

This statement is flatly refuted by the patent itself. It should be noted that the last two claims of the patent in suit (Nos. 10 and 11) are for a "method". They outline and define, as only a method claim can, the "principle of operation" of the machine of the patent. The method there defined consists of the following sequential steps:

- (1) Placing a sheet of cutter material into overlapping relation to a box blank;
- (2) Applying glue;
- (3) Pressing the overlapping parts to join them; and
- (4) Severing the cutter material to leave a cutter glued to the blank with its cutting edge extending beyond the blank.

[fol. 23] From this it will be seen that the glue is not applied (Step #2) until *after* the cutter material and the box blank are placed with their edges overlapping (Step #1). In defendants' machine charged to infringe it is obvious that the cutter material has the glue applied to it *before* it is placed in position with respect to the box blank. Consequently, it is believed to be conclusively shown that the "principle of operation" of defendants' machine and that of the patent in suit are radically different.

With respect to the prior art, in my opinion it is equally as obvious that the defendants' machine does not and cannot infringe the patent in suit because the defendants' machine, in every material respect, is the same as that of the Inman patent No. 1,036,851 (Defendants' Exhibit 1 attached hereto). This patent expired on August 27, 1929—*three years prior to 1932 when the defendant corporation was organized*, and therefore the machine disclosed thereby was available for use by anyone. The corporate defendant adopted and is using that machine as defendant—like any other member of the public—had the right to do, and neither the patent in suit nor any other unexpired patent can prevent defendant or anyone else from doing so. The identity

of defendants' machine (see the drawings, Plaintiff's Exhibit 1) with that of the expired Inman patent is believed to be obvious. They both apply glue to the undersurface of the material which is to be pasted onto the box blank. They both utilize a power-actuated cutter and presser for severing the edge of that material and pressing it to the blank. They both utilize the vertical movement of the cutter and presser to intermittently feed the said material a predetermined and adjustable distance. There is complete identity between the two. The last paragraph of the specifications of the Inman patent states (p. 2, l. 43)—

[fol. 24] "The machine is especially designed for making paper boxes and pasting the strips upon the blanks from which the paper boxes are folded but it may be used for any other purpose where it is desired to paste strips upon something."

Therefore, regardless of any question of *validity* of the Marcalis patent in suit, the claims thereof may not be given an interpretation and scope which would cause them to be read or be readable on the expired Inman patent. Inasmuch as, there is no material difference between defendants' machine and that of the expired Inman patent, the claims of the patent in suit may not be given an interpretation or scope which would hold defendants' machine as an infringement of the claims of the patent.

It is obvious, therefore, that the issue of infringement may not be disposed of by summary judgment.

Conclusion

By the foregoing I have endeavored to enumerate and crystallize four separate and independent reasons why the issues of this case may not be disposed of by summary judgment. Any one of them, alone, in my opinion, is sufficient for that purpose.

Donald J. Overocker.

Sworn to and subscribed before me this 2nd day of December, 1943. Eileen Lamerson; Notary Public, Kings County. Kings Co. Clk's No. 39, Reg. No. 4036. N. Y. Co. Clk's No. 48, Reg. No. 4-L-34. Commission Expires March 30, 1949. (Seal.)

(Here follow 3 photolithographs, side folios 25-27)

Defendant's Exhibit 1.

UNITED STATES PATENT OFFICE.

HARRY A. INMAN, OF AMSTERDAM, NEW YORK.

PASTING-MACHINE.

1,036,851.

Specification of Letters Patent. Patented Aug. 27, 1912.

Application filed November 15, 1911. Serial No. 660,465.

To all whom it may concern:

Be it known that I, HARRY A. INMAN, a citizen of the United States, residing at Amsterdam, in the county of Montgomery and State of New York, have invented certain new and useful Improvements in Pasting-Machines, of which the following is a specification.

My invention relates to pasting machines and the objects of my invention are to construct a machine by which paste or glue may be applied to long strips of paper and the strips of paper cut off in desired lengths and pasted or glued upon the desired material.

Other objects of my invention will appear as I proceed with the description of the machine.

I obtain these objects by means of the mechanism illustrated in the accompanying drawing in which—

Figure 1 is a plan view of my machine. Fig. 2 is a sectional elevation along the lines X, X, Fig. 1.

Similar letters and numerals refer to similar parts throughout the several views.

The machine consists of a frame or table A.

B, E and G are shafts mounted in suitable bearings in or attached to the frame A. The shaft B is a driving shaft and has loosely mounted upon one end thereof the pulley C by which the power is applied. There is also fastened on the shaft B the gear wheel D which meshes with and drives the gear wheel F mounted upon the shaft E and the gear wheel H mounted upon the shaft G. Mounted upon the supporting rails 16, 16 on the top of the frame A are suitable bearings for the rollers 17, 18 and 22. 20 is a vat adapted to contain liquid glue or paste. Attached to the sides of the vat are lugs 29, 29 by which the vat 20 is supported upon the rails 16, 16. The rollers 19, 19 are mounted upon a shaft in bearings formed in the sides of the vat 20 so that the lower portion of the rollers will be located within the vat 20 and submerged in the viscous substance contained in the vat so that the rollers 19, 19 will carry glue from the vat 20 to the strip of paper passing over the rollers. A scraper 21 is attached to the vat in any suitable manner so as to remove surplus paste from the rollers 19, 19.

S is the roll of paper to be pasted and is mounted upon the roller 23 supported by the brackets 24, 24 from the frame A.

22 is a guide roller mounted upon the supporting rails 16, 16 in such a position as to properly guide the paper from the roller 23 to the pasting rollers 19, 19. The strip 60 of paper to be pasted or glued is passed over the roller 22 and over the pasting rollers 19, 19 and under the guide rollers 18 and 17 and through the feed rolls 25 and 26 and between the knives 12 and 14 to the table 15. 65 The rollers 17 and 18 also serve to hold the strip at proper tension.

12 is a knife mounted in the movable presser foot 11.

14 is a stationary knife mounted upon the bed-plate 13. The feed rolls 25 and 26 are mounted in the uprights 27, 27 on the frame A and are geared together. Power is applied to the roll 25 by means of the notched rack N operated by the gear wheel H and 75 meshing with the notched teeth upon the pinion J mounted loosely upon the projecting end of the shaft of the feed roll 25. The rack N is attached to the gear wheel H by the pin n. By adjusting the position of 80 the pin n in the slot in the gear wheel H the length of the feed and the length at which the strips of paper are cut off may be regulated as desired. The pinion J has guide plates fixedly attached to each side thereof. 85 To one of these guide plates is attached the pawl L adapted to engage in the notched wheel K attached to the shaft of the feed roll 25. The pawl L is held in engagement with the wheel K by the spring M. 90

On the frame A is mounted the bed-plate 13 to which is fixed the stationary knife 14. At each end of the bed-plate 13 are fixed vertical guide rods 10, 10. The presser foot 11 has pins 31, 31 projecting from each end. 95 The pins 31, 31 are connected by links 30, 30 and by the pins 32, 32 to the gear wheel F and the crank 33. The gear wheel F and the crank 33 are fastened on opposite ends of the shaft E. 35 represents the work or 100 material lying on the table 15 to which the strips are to be pasted. The shaft B also has a clutch 40 of any suitable construction mounted upon it and adapted to be thrown in or out of engagement with the pulley C 105 by means of the foot pedal 41 or any similar suitable arrangement. The operator pressing upon the foot pedal 41 or standing upon it causes the clutch to engage and the shaft B to revolve. By continuing the weight 110 upon the pedal the machine will run and feed the paper through it continuously or

18B

1,036,881

the operator may press down simply long enough for the shaft to make one revolution and one operation of the cutter and presser foot at a time.

5 . The operation of my pasting machine is as follows: The power is applied to the pulley C causing it to revolve in the directions indicated by the arrow as shown in Fig. 2. The pulley C being loosely mounted upon the shaft B runs continuously and causes the shaft B to revolve carrying with it the gear wheel D only when pressure upon the foot pedal 41 causes the clutch 49 to engage the pulley C. The gear wheel D causes the gear wheels F and H to revolve in the directions indicated. The pin n on the gear wheel H being eccentric will impart an upward and downward movement to the rack N and cause the pinion J and the guide plates to oscillate thus carrying the pawl L up and down and backward and forward. Each time the rack N moves back it engages the notched wheel K and causes the feed rolls 25 and 26 to revolve and feed forward the strip of paper S. The pins 32, 32 on the gear wheel F and the crank 33 being eccentric and in line with each other, will impart an upward and downward motion to the presser foot 11 carrying the knife 12. The length of the stroke of the presser foot 11 is so adjusted that it will cause the knife to shear or cut off the portion of the paper fed between the knives and continues the downward stroke a sufficient distance to cause the presser foot 11 to press the severed part of the strip S upon the material 35 upon which it is to be pasted.

30 Constructed in this way the pasting ma-

chine in one operation will take the paper from the roll and apply the glue in strips and cut off the strips in the desired lengths and paste them upon the material to which it is desired to be pasted. The machine is especially designed for making paper boxes and pasting the strips upon the blanks from which the paper boxes are folded but it may be used for any other purpose where it is desired to paste strips upon something.

What I claim as my invention and desire to secure by Letters Patent is,

In a pasting machine, a frame, a paste vat mounted upon said frame, a pasting roller mounted in said paste vat, feed rollers mounted upon said frame and adapted to feed a strip of paper through said machine, a presser foot carrying a cutter knife mounted upon said frame, an eccentric adapted to turn said feed rollers by a rack and ratchet, a second eccentric adapted to move said presser foot and cutter knife synchronically with the movement of said feed rollers, a power roller located between said eccentrics and adapted to turn each eccentric simultaneously whereby the strip of paper will be fed through the machine and paste applied to the under side thereof and the end cut off and pressed upon the goods upon which it is desired to be pasted with each revolution of the power roller.

In testimony whereof I affix my signature in presence of two witnesses.

HARRY A. INMAN.

Witnesses:

WALTER E. WARD,
RETA VAN DER VOLGEN.

H. A. INMAN.
PASTING MACHINE.
APPLICATION FILED NOV. 15, 1911.

1,036,851.

Patented Aug. 27, 1912.

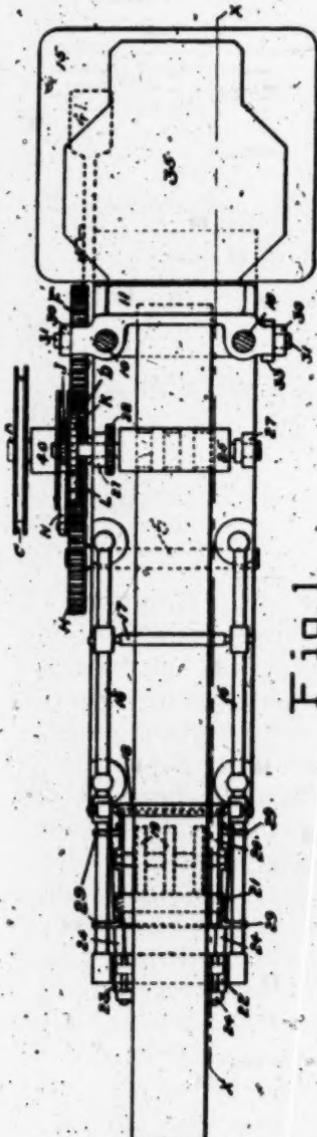
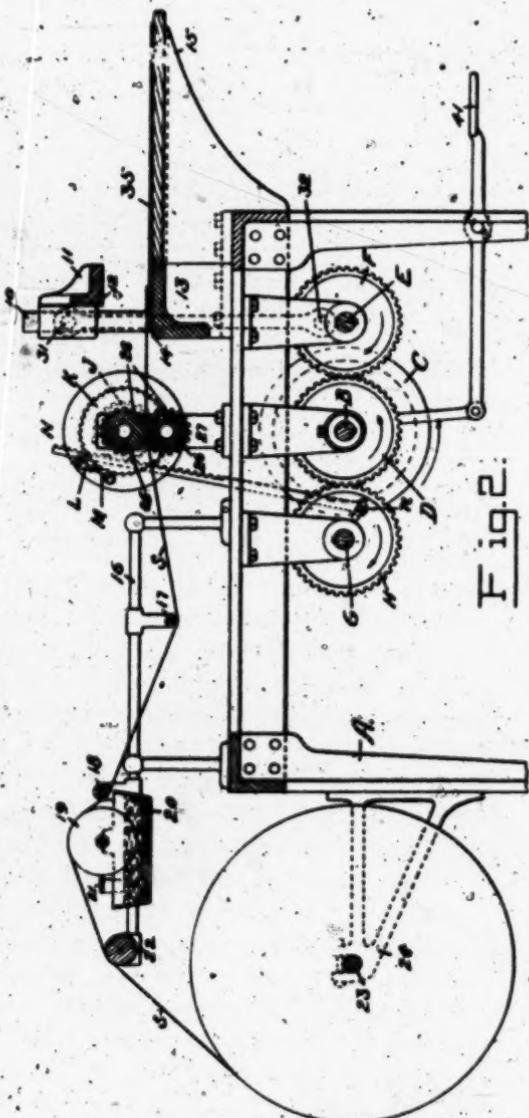


Fig. 1.



卷之三

WITNESSES:
Reta Van Vickle Volgen
Marion Ashlund

INVENTOR

BY
Walter E. Ward.

ATTY



[fol. 28] IN UNITED STATES CIRCUIT COURT OF APPEALS FOR
THE THIRD CIRCUIT, OCTOBER TERM, 1943

No. 8589

AUTOMATIC PAPER MACHINERY COMPANY, INC., Plaintiff-
Appellee,

vs.

MARCALUS MANUFACTURING COMPANY, INC., and NICHOLAS
MARCALUS, Defendants-Appellants.

Appeal from the Judgment of the District Court of the
United States for the District of New Jersey

Appendix for Plaintiff-Appellee—Filed April 1, 1944

[File endorsement omitted]

[fol. 29] **PLAINTIFF'S EXHIBIT 6**

Assignment

In consideration of One Dollar (\$1.00) and other good
and valuable consideration, of which I acknowledge receipt,
I, Nicholas Marcalus of Elizabeth, New Jersey, sell and
assign to Automatic Paper Machinery Co. Inc., a New
Jersey Corporation, its successors and assigns, the im-
provements in Mounting Cutters on Box Blanks invented
by me, and the application for United States patent there-
for, executed concurrently herewith; and all patents that
may be granted therefor, and all divisions, reissues, con-
tinuations and extensions thereof, and authorize and re-
quest the Commissioner of Patents to issue all patents on
said improvements resulting therefrom to said Automatic
Paper Machinery Co. Inc., as assignee of the entire interest,
and covenant that I have full right so to do, and agree that
I will communicate to said Automatic Paper Machinery
Co. Inc., or its representatives any facts known to me re-
pecting said improvements and testify in any legal pro-
ceeding, sign all lawful papers, execute all divisional,
continuing and reissue applications, make all rightful oaths
and generally do everything possible to aid said Automatic
Paper Machinery Co. Inc., its successors, assigns and
nominees, to obtain and enforce proper patent protection
for said invention in all countries.

In Testimony Whereof, I have hereunto set my hand and seal this → day of December, 1930.

(Signed) N. Marcalus.

(Acknowledged, December 2, 1930)

(Recorded in the Patent Office, December 4, 1930)

[fol. 30] IN UNITED STATES DISTRICT COURT

EXCERPT FROM DEPOSITION OF NICHOLAS MARCALUS, PAGES 4,
5 AND 6, REDUCED TO NARRATIVE FORM

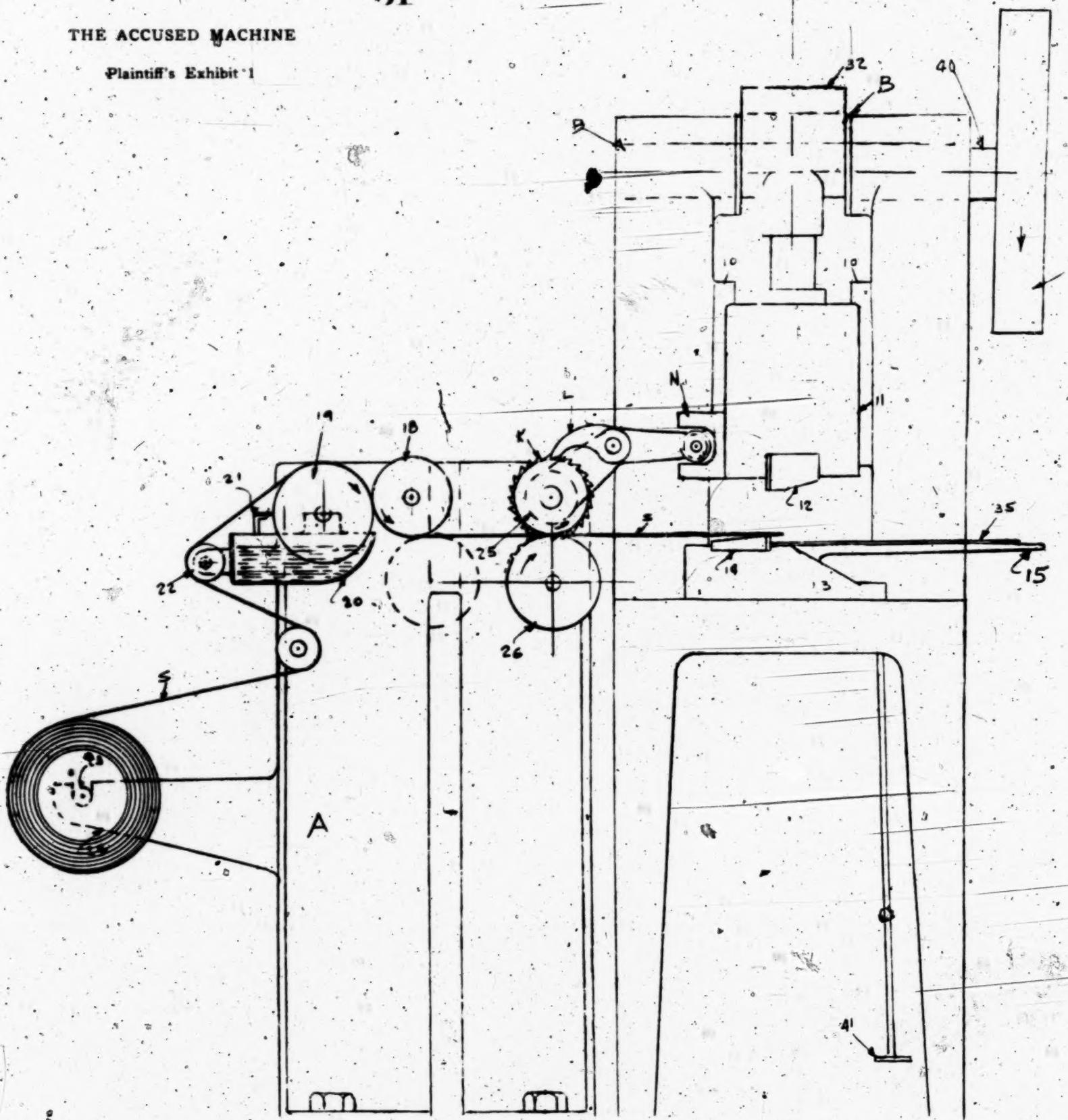
(Operation of the press shown in the drawing, Plaintiff's Exhibit 1)

In the machine as actually built and in operation, the feed roll 26 is moved over and placed under roll 18 in place of the dotted line, and the ratchet K is secured to roll 18.

The stencil board S, or the fiber board, as it is unwound from the jumbo roll passes over the glue roller 19, which dips into the glue trough 20, and passes between the feed rollers 18 and 26 to the die 14. On the down stroke of the ram 11 the movable die 12 cooperates with the stationary die 14 to sever the forward end of the sheet of cutting material and presses it upon the forward edge of the box blank 35. The overlapped cutter and the box blank are pressed together between the flat bottom face of die 12 and the upper face of anvil 13, and as the lower face of the cutter has had glue attached to it, it is secured to the box blank. On the upward stroke of the ram 11 the lever 25, carrying the pawl L, is swung counter clockwise; the pawl L engages the ratchet wheel K and feeds the sheet S forward the width of one tooth of the sprocket, and that would mean in terms of the progress of sheet S, the width of one cutter.

THE ACCUSED MACHINE

Plaintiff's Exhibit 1



[fol. 68] IN THE UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE THIRD CIRCUIT, OCTOBER TERM, 1943

No. 8589

AUTOMATIC PAPER MACHINERY COMPANY, INC.,

vs.

MARCALUS MANUFACTURING COMPANY, INC., and NICHOLAS
MARCALUS, Appellants

And afterwards, to wit, the 18th day of May 18, 1944, come the parties aforesaid by their counsel aforesaid, and this case being called for argument sur pleadings and briefs, before the Honorable John Biggs, Jr., Honorable Herbert F. Goodrich and Honorable Gerald McLaughlin, Circuit Judges, and the Court not being fully advised in the premises, takes further time for the consideration thereof,

And afterwards, to wit, on the 8th day of February, 1945, come the parties aforesaid by their counsel aforesaid, and the Court, now being fully advised in the premises, renders the following decision:

[fol. 69] UNITED STATES CIRCUIT COURT OF APPEALS FOR THE
THIRD CIRCUIT, OCTOBER TERM, 1943

No. 8589

AUTOMATIC PAPER MACHINERY COMPANY, INC.,

v.

MARCALUS MANUFACTURING COMPANY, INC., and NICHOLAS
MARCALUS, Appellants

Appeal from the District Court of the United States for the
District of New Jersey

Before Biggs, Goodrich and McLaughlin, Circuit Judges

OPINION OF THE COURT—Filed February 8, 1945

By BIGGS, Circuit Judge:

The plaintiff, Automatic Paper Machinery Company, Inc., sued Nicholas Marcalus and Marcalus Manufacturing Company, Inc., alleging infringement of United States Patent

No. 1,843,429, and sought an injunction and an accounting. On a motion for a summary judgment filed by the plaintiff pursuant to Rule 56 of the Rules of Civil Procedure, 28 U. S. C. A. foll. Sec. 723c, the court below granted an injunction and ordered an accounting.¹ The defendants have appealed.

The facts may be stated as follows. In 1924 Marcalus and Roswell H. Rausch organized Automatic. Rausch procured the capital for the enterprise and served as president [fol. 70] of the corporation. Marcalus contributed his inventive and mechanical skill and became vice-president, treasurer and manager of production. Rausch and Marcalus owned the stock of the company. Automatic put a serrated metallic cutter edge on an outer lip of a box blank and sold it. The product had substantial utility.² In 1930, when sheet metal was still plentiful, Marcalus, in what the plaintiff describes as "a moment of prescience", made the invention disclosed by the patent in suit. He filed an application in the Patent Office on December 4, 1930 and on the same day assigned it to Automatic. The application was allowed on July 8, 1931 precisely as Marcalus had filed it. On February 2, 1932 the patent issued to Automatic. The patent contains eleven claims, nine of which claim a machine or press for mounting "a cutter" upon a box blank. The two remaining claims, 10 and 11, appropriate a method for mounting "a non-metallic cutter" on a box blank.

Marcalus states in his specification, " * * * I have provided a method and a machine by means of which a sheet of indurated paper and a box blank are fed to a press, in overlapping relationship, and a cutting element severed from the forward end of the sheet and secured along the edge of the box blank in what is substantially one operation." Claim 4, typical of the machine claims, is as follows: "In a press for mounting a cutter upon a box blank, the combination of a reciprocable ram, means for feeding a sheet of cutter material into overlapping relation to a box blank beneath the ram, means for severing a cutter from the sheet and securing it to the blank on each downward

¹ See 54 F. Supp. 105.

² It became the subject of a suit brought by the present plaintiff against the present defendants. See the opinion of this court in 110 F. 2d 304 and compare Levine & Co. v. Automatic Paper Mach. Co., 63 F. 2d 547.

movement of the ram, and means operated by each upward movement of the ram for actuating the sheet feeding means." Claim 11, one of the two method claims, is as follows: "The method of mounting a non-metallic cutter upon a box blank which comprises placing a sheet of cutter material and a box blank with their edges overlapping, applying glue, pressing the overlapping parts to join them, and while still under pressure severing the cutter material to leave a cutter with a serrated cutting edge glued to the blank with its cutting edge extending slightly beyond the blank."

Marcalus was employed by Automatic until December 1931 when, friction developing within the company, he withdrew and sold his stock for a substantial sum. Shortly thereafter, he organized Marcalus Company which engaged in manufacturing and selling a box with a metallic cutting edge for wax paper very similar to that manufactured and sold by his former employer, Automatic.³ Both Automatic and Marcalus Company continued to mount metal cutters on their respective box blanks until the war brought about a metal shortage. Automatic then turned to the patent *sub judice* and employed a machine similar to that described in it for affixing non-metallic cutters to box blanks. Marcalus Company also fixed non-metallic cutters to boxes employing the accused machine or press for that purpose. The defendants assert their machine reads on and actually was designed from the disclosures in another patent. This is Inman No. 1,036,851, which expired on August 27, 1929, more than three months prior to the filing of the application for the patent under consideration. The accused machine is in fact a Chinese copy of Inman's. The defendants contend, therefore, that they have the right to make use of their machine without liability for infringement of the patent *sub judice*. The plaintiff asserts that the defendants' machine reads precisely on Marcalus No. 1,843,429, and since the defendants are estopped to deny the validity of the patent, they, therefore, must be found to have infringed it.

The court below found the disclosures of the Inman patent to be a complete anticipation of the Marcalus patent

³ No restriction by contract was imposed on Marcalus to prevent him from engaging in a competing business.

sub judice. Judge Smith stated, "The subjects of the re-[fol. 72] spective patents [Inman and Marcalus] are substantially identical and are adapted to, and intended for the same use. The machine of the Inman patent differs from the machine of the Marcalus patent only in the arrangement of its structural elements. It is significant that the accused machine reads element for element on the claims of either patent, and without substitution of equivalent expedients. It is obvious that under these facts the principal question presented for decision is one of law—May the defendants defeat the assignment and the estoppel inherent therein by their resort to the prior art? It is our opinion that they may not." Resting his conclusion upon the decision of the Supreme Court in Westinghouse Electric & Mfg. Co. v. Formica Insulation Co., 266 U. S. 342, 350, and other authorities, the court below then said. "The assignor [Marcalus]; * * * may not invoke the prior art for the ostensible purpose of limiting the claims, but for the real purpose of challenging their validity for lack of novelty * * *. The assignor will not be permitted to defeat the estoppel by indirection." Judge Smith went on to say that the Inman patent, " * * * *not only negatives infringement but it invalidates the Marcalus patent and defeats the assignment.*"⁴ If we were to permit the defense of non-infringement to rest on the Inman patent, the defendants would achieve, by indirection, the destruction of the Marcalus patent and the defeat of its assignment, and this the defendants may not do."⁵ For both quotations see 54 F. Supp. at pp. 107-108.

The main issue of the case presents the question of estoppel by deed in patent property in classic simplicity and requires the application, if possible under the circumstances of the case at bar, of the principle enunciated by Mr. Chief Justice Taft in Westinghouse Electric & Mfg. [fol. 73] Co. v. Formica Insulation Co., *supra*, 266 U. S. at pp. 350-351. In the Formica case O'Connor had been issued a

⁴ Emphasis added.

⁵ It is clear that the doctrine of estoppel by deed extends to Marcalus Company as fully as to Marcalus. He, his wife and son own all of the stock of the company. They are its officers and Marcalus admits that he controls the corporation. See Dixie-Vortex Co. v. Paper Container Mfg. Co., 130 F. 2d 569; Leader Plow Co. v. Bridgewater Plow Co., 237 Fed. 376; Alvin Mfg. Co. v. Secharling, 100 Fed. 87.

patent for a process for making composite electric insulation materials. He had been an employee of the plaintiff, Westinghouse, at the time he filed the application for the patent and assigned his rights in it to his employer. Claims 11 and 12 of the patent, as issued, were added by Westinghouse as assignee after O'Conor had left its employ. These claims were not allowed until four years after O'Conor had participated in making use of the accused process, and for three years thereafter, Westinghouse had made no objection to O'Conor continuing the manufacture. O'Conor's specification disclosed a two-step process; (1) pressure and heat; (2) cooking and baking. Claims 11 and 12 of the patent, the claims in litigation, appropriated the one-step process well known to the prior art. All of the other claims of the patent appropriated the two-step process. Claim 6 of the application as originally filed, was broader than claims 11 and 12 of the patent as issued. This claim of the application was rejected by the Patent Office. Mr. Chief Justice Taft said in respect to this claim: "It was so absurdly broad and all-inclusive as to almost indicate that it was made to be rejected. O'Conor's signature to such a claim under the circumstances of course does not estop him when in fact it was not allowed; and certainly should not be used to bolster up a broad construction of the 11th and 12th claims when * * * the state of the art must limit them." Mr. Chief Justice Taft made it plain that all of the disclosures of O'Conor's specification, save the two-step process, were known to the prior art. But he stated: "In view of the prior art * * * it is very clear that the 11th and 12th claims must be read to include as an essential element of the combination therein claimed, the two-step process. Without this, there was nothing new in them in the field to which they applied." The Supreme Court held that since claims 11 and 12, so limited, were for a two-step process, O'Conor did not infringe the claims since he used a one-step process.

[fol. 74] In the Formica decision the Supreme Court ruled that the state of the art could not be employed to destroy an assigned patent but might be used to narrow its claims, conceding their validity; in other words, the prior art might be used to "limit" claims as was done with those of O'Conor's patent by reading the two-step process out of the specification and into the claims. "The distinction", said Mr. Chief Justice Taft, "may be a nice one but seems

to be workable." He quoted from the opinion of Mr. Justice Lurton, written when he was a Circuit Judge, in *Noonan v. Chester Park Athletic Club Co.*, 99 F. 90, 91.⁶ As we apprehend the substance of the court's ruling in the Noonan case, however, structural changes unimportant in effect, which seem to have been simple mechanical equivalents, were held not to be such, and an adjudication of infringement was avoided.

Decisions of the inferior federal courts since the Formica case present varying interpretations of the Supreme Court's ruling. In *Vogt Instant Freezers v. New York Eskimo Pie Corp.* (CCA 2) 69 F. 2d 84, 87, the court, limiting the claims of the patent to the "cold rolls way of hardening" ice cream, described in the specifications but not claimed and which described methods which the defendant did not use, refused to make an adjudication of infringement. In *Baldwin Rubber Co. v. Paine & Williams Co.* (CCA 6) 99 F. 2d 1; the doctrine of equivalents was applied precisely as if the assignor and the assignee had been strangers and the assignor consequently was held to infringe. In *Frank Associates, Inc. v. Columbia Narrow [fol. 75] Fabric Co.* (DCSDNY) 33 F. Supp. 279, 282-283, though the court might have avoided an adjudication of infringement by interpolating into the claims a reference to the sizing of the rayon threads, it refused to do this and

⁶ The quotation was as follows: "'It seems to be well settled that the assignor of a patent is estopped from saying his patent is void for want of novelty or utility, or because anticipated by prior inventions. But this estoppel, for manifest reasons, does not prevent him from denying infringement. To determine such an issue, it is admissible to show the state of the art involved, that the court may see what the thing was which was assigned, and thus determine the primary or secondary character of the patent assigned, and the extent to which the doctrine of equivalents may be invoked against an infringer. The court will not assume against an assignor, and in favor of his assignee, anything more than that the invention presented a sufficient degree of utility and novelty to justify the issuance of the patent assigned, and will apply to the patent the same rule of construction, with this limitation, which would be applicable between the patentee and a stranger.'"

stated that, "A limitation of the claims which would exonerate defendant would be tantamount to a degree that the claims are invalid." The defendant was adjudged guilty of infringement. In *Caseo Products Corp. v. Sinko Tool & Mfg. Co.* (CCA 7) 116 F. 2d 119, cert. den. 312 U. S. 693, a licensee was held estopped to deny the validity of the patents under which it was licensed but the court limited the scope of the estoppel. The court held that the defendant was "not estopped to prove that its devices are built wholly according to the teaching of the prior art and that everything necessary to their conception and construction was taught by such art, for such proof clearly negatives infringement. In other words if everything in defendant's construction was taught by the prior art and nothing included therein other than the application of such art, plus ordinary mechanical skill, then the mere fact that the devices constructed reads upon the claims of patents, the validity of which it is estopped to deny, does not spell infringement." Compare the decision of the same court in *Dixie-Vortex Co. v. Paper Container Mfg. Co.* (CCA 7) 130 F. 2d 569, 577. Cf. *Kessel v. Vidrio Products Corporation* (CCA 7) 113 F. 2d 381, cert. den. 311 U. S. 703, and *Stubnitz-Greene Spring Corp. v. Fort Pitt Bedding Co.* (CCA 6) 110 F. 2d 192, 196. Cf. also *Timkin-Detroit Axle Co. v. Alma Motor Co.* (DCDEL) 47 F. Supp. 582, 588, and *idem* (CCA 3) 144 F. 2d 714. Compare also *Swan Carburetor Co. v. General Motors Corporation* (D. C. N. D. Ohio E. D.) 42 F. 2d 452, 454. A very different result than that arrived at in the Caseo case was reached in *Dwight & Lloyd S. Co. v. American Ore Reclamation Co.* (DCSDNY) 44 F. Supp. 401, 402, a licensing case. See also *Buckingham Products Co. v. McAleer Mfg. Co.* (CCA 6) 108 F. 2d 192, 193, wherein it was held that the assignor could not be heard to [fol. 76] say that the invention was narrower than indicated by the claims despite the fact that the disclosures of the patent were anticipated fully by the prior art. It will be observed that the Caseo decision is at one extreme and the Buckingham decision, at the other.⁷

⁷ We can see no cogent reason why an assignor or a licensee should possess a different status in relation to an interest in patent property whether assigned or licensed. We are aware, however, that though under the law of real property, from whence the doctrine of estoppel by deed in

The Formica decision applied the principle of anticipation to the claims of the patent, declaring that there was no infringement while preserving the surface of the grant. As we apprehend the ruling of the Supreme Court the prior art must be employed to measure the extent of the anticipation and the extent of the anticipation in turn "limits" the claims. If the subject matter appropriated by the claims has been anticipated, the claims are held not to be infringed. For example: In the Formica case the second step was read out of the specification and into the claims;⁸ in the Noonan case, small differences in structure were held not to be equivalents because they were embraced in the prior art; in the Casco case, since everything of substance disclosed in the patents and appropriated by the claims was taught

respect to patent property evolved, an estoppel would not run against the grantee. The grantee might assert title to his land from any source. See Bybee v. Oregon & C. R. Co., 139 U. S. 663, and Guaranty Savings Bank v. Bladow, 176 U. S. 448. The point does not seem significant, however, either under the circumstances usually relating to the assignment or license of patent property or those of the case at bar.

* Suppose after the decision in the Formica case, Westinghouse had sued someone other than O'Conor, asserting the infringement of claims 11 and 12 of the patent. Presume further that the alleged infringers used the precise two-step process disclosed in O'Conor's specification. Would the validity of claims 11 and 12 have been upheld on the ground that a two-step process had been validly appropriated in the O'Conor patent? We find no satisfactory answer to this question. If the answer should be in the negative it is difficult to see how the grant would not be defeated. As to any other user of the process than O'Conor the claims, since they appropriated only the one-step process old in the art, would be invalid for want of invention. O'Conor had been held not to be an infringer. Under these circumstances, the monopoly of the patent is without value in the market place and the patent itself becomes a mere diploma. If the answer to the question should be in the affirmative, the result would seem to run counter to R. S. 4888, 35 U. S. C. A., Sec. 33.

by the prior art, it was held that that negatived infringement. In the Formica and Noonan cases the grants were [fol. 77] held not to be defeated though the grants as limited were of no practical value to the assignees. The assignments authorized them to proceed with manufacture under patents which were invalid under the prior art and the assignors were held not to be infringers. The same result as to a licensee was reached in the Casco case. We believe that the decision in the Casco case was correct. We conclude that it was not the intention of the Supreme Court by its Formica decision to cause federal tribunals to limit the claims of a patent on prior art when the art affords some anticipation of the subject matter of the claims and to avoid the effect of limitation when the prior art affords complete anticipation.

In the instant case, there are some very minor differences between Marcalus's claims and the accused press which, as we have stated, is a Chinese copy of Inman's device.⁹ These distinctions are trivial. The machine of Marcalus's patent and the accused machine are alike in substance. With the exception of the employment of the springs in the accused machine referred to in the first sentence of the quotation, in note 9 *infra*, the accused machine, that of Inman and that of the Marcalus patent are as alike as peas in a pod. The accused machine lies completely in the prior art.

⁹ The appellant's brief recounts these differences as follows: " * * * the pressing and cutting dies of Marcalus as well as their cooperating anvils are supported by springs. This enables the cutting edge to be applied and glued to the box before the cutting edge is severed from its roll—a double action or two-step operation. Nothing of this sort is utilized in the Inman machine of the defendant, which is a single action machine—the gluing and severance of the cutting edge being effected in one operation. Again, the machine of the Marcalus patent applies the glue in spots on the upper surface of the non-metallic material, whereas in the defendant's machine of the Inman patent the glue is applied continuously to the bottom surface of the non-metallic material. Additionally, the fibrous material is supplied to the cutting and pressing anvil beneath the box blank, whereas in defendant's machine of the Inman patent the non-metallic material is supplied above the box blank."

If we are correct in our conclusion that under the rule of the Formica decision the prior art measures the extent of the anticipation and the anticipation *limits* the claims, anticipation being complete in the instant case, the claims [fol. 78] of the patent must be limited to nought. We conclude that the District Court erred in holding the contrary.

There are cogent reasons, however, why the doctrine of estoppel by deed should be held to be inapplicable in the instant circumstances. The Inman patent expired more than three months prior to the date of the filing of Marcalus's application. It is a fundamental principle of our patent system that when a patent has expired the device or the process which it discloses lies in the public domain. Any member of the public had the right to use the press three months before Marcalus filed his application. The Inman patent and its date of expiration were matters of official record in the United States Patent Office. Drawing an analogy from the law of real estate, appropriate under the circumstances, the principle of estoppel by deed may not be employed to validate a conveyance of public lands executed by one who was without authority to make the grant. If an individual purported to convey a public park to a stranger, the grantees could not exclude the grantor from the premises. True, legal title to public lands lies in a sovereign and the public has no legal title to patent property freed of monopoly, but this is a matter of form rather than substance for the right to use such property is in the public. The extent of the public interest in inventions may not be questioned in view of the decisions of the Supreme Court. See Muncie Gear Co. v. Outboard Co., 315 U. S. 759, 768; Mercoind Corp. v. Mid-Continent Investment Co., 320 U. S. 661; and Densmore v. Scofield, 102 U. S. 375, 378. See also the decision of this court in Cridlebaugh v. Rudolph, 131 F. 2d 795, 800.

It must be borne in mind that the amount of any royalty imposed upon Marcalus Company by the plaintiff will be passed on to the public, an incident which does not follow a conveyance of private lands. In the case at bar, to permit the imposition of a royalty, the ultimate result of a judgment of infringement in the case at bar, is the equivalent of allowing the grantees of a deed executed without authority, purporting to convey title to public lands, to charge a toll to the public. While it may be argued that any part [fol. 79] of a prior art, whether embodied in an official record or not, lies in the public domain and therefore would be

subject to the rule which we have enunciated, it is not necessary to go so far in deciding the case at bar. The whole body of a prior art ordinarily consists of many items which are not matters of official record. In the instant case, however, the Inman machine lies in the public domain by reason of the expiration of a United States patent under the law of the United States. This is a matter of official record.

The doctrine of estoppel by deed arose by way of the solemn assurance presumed to have been given by the grantor to the grantee that the lands and title which were conveyed were as the grantor represented or warranted them to be, an assurance on which the grantee was assumed to have relied. See *Gilmer v. Poindexter*, 10 How. 257. Estoppel is an equitable doctrine and its essence lies in mutuality. *Sutton v. Dameron*, 100 Mo. 141, 13 S. W. 497. He who endeavors to rely on estoppel must himself have acted in good faith and without knowledge that the title to the land was not as represented by the grantor. *Vaughn v. Hixon*, 50 Kan. 773, 32 P. 358. This principle is stated in Bishop's *Equity*. See Section 280. If the grantee is not deceived by the representation he should not be entitled to rely upon it by way of estoppel. It would follow, we think, that if the assignee was chargeable with the knowledge, as in the case at bar, that the patent property which the assignor sought to convey to him lay in the public domain, he should not be entitled to assert the doctrine of estoppel by deed.

For these reasons also, the defendant should be held not to infringe the patent under consideration. Accordingly, the judgment is reversed.

A true Copy: Teste:

_____, Clerk of the United States Circuit Court
of Appeals for the Third Circuit.

[fol. 80] IN THE UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE THIRD CIRCUIT, OCTOBER TERM, 1943

No. 8589

AUTOMATIC PAPER MACHINERY COMPANY, INC.

vs.

MARCALUS MANUFACTURING COMPANY, INC., and NICHOLAS
MARCALUS, Appellants

Present: Biggs, Goodrich and McLaughlin, Circuit
Judges.

On Appeal from the District Court of the United States, for
the District of New Jersey

This cause came on to be heard on the transcript of record
from the District Court of the United States, for the District
of New Jersey, and was argued by counsel.

On consideration whereof, it is now here ordered and
adjudged by this Court that the judgment of the said Dis-
trict Court in this case be, and the same is hereby reversed,
with costs.

By the Court, John Biggs, Jr., Circuit Judge.

February 8, 1945.

Endorsements: Order Reversing Judgment. Received
and Filed Feb. 8, 1945. Wm. P. Rowland, Clerk.

[fol. 44] [File, endorsement omitted]

IN UNITED STATES CIRCUIT COURT OF APPEALS FOR THE THIRD
CIRCUIT

[Title omitted]

PLAINTIFF-APPELLEE'S PETITION FOR REHEARING—Filed
February 21, 1945

[fol. 45] Defendant in its brief importuned this Court to "go beyond the mere disposition of this case and put itself on record as in disagreement with the estoppel doctrine as here applied", a doctrine which defendant did not hesitate to stigmatize as unsound despite a respectable longevity and the supporting authority of the Supreme Court. Yielding to those importunities this Court has done precisely as importuned: it has abolished the doctrine of estoppel by deed to the assignment of patent property, despite the Supreme Court's express refusal to do just that in the Formica case. We respectfully suggest that repudiation of a doctrine so long established as this one and unequivocally reaffirmed by the Supreme Court itself not long since had better be left to that Court.

This Court does not say in so many words that it will not follow the law of the Formica case, but that, nonetheless, is the effect of its decision. We believe that the Court's error arose from a misunderstanding of the Formica case and was confirmed by fallible supporting arguments, all of which we shall briefly consider.

I

The doctrine of estoppel by deed to the assignment of patent property was approved and restated by Mr. Chief Justice Taft in the Formica case with admirable clarity. He said:

"As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use." (p. 349)

"If one lawfully conveys to another a patented right to exclude the public from the making, using and vending of an invention, fair dealing should prevent

him from derogating from the title he has assigned,
 • • • (p. 350)

[fol. 46] "Of course, the state of the art can not be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable." (p. 351).

These then are the essentials of that doctrine which "the main issue of the case presents • • • in classic simplicity".

But the issue of the Formica case was not so simple. There the claims in suit had been made by the assignee after the assignor had left its employ and without his knowledge or sanction. Under those circumstances it could not well be said that the assignee had relied on any representation of the assignor, express or implied, as to the scope or validity of the claims sued upon. Hence the assignor, not being estopped to contest the validity of those claims, did so with complete effectiveness. The claims were adjudged invalid by the Court of Appeals whose decree was affirmed by the Supreme Court; there was no holding of non-infringement. That part of the decision in which the Supreme Court purported to read unexpressed limitations into the claims in suit, and on which this Court has relied, was *obiter dictum*, which, if given the effect of law, applicable beyond the circumstances of the case, destroys the very doctrine elsewhere affirmed in the same decision—as this Court has amply demonstrated. It so happened that on the facts of the Formica case it made no practical difference whether limitations were read into the claims to save them but leave them uninfringed, or whether, the estoppel denied, the claims were proved to be invalid. But it makes a lot of difference here because there are no limitations that can be read into Marcalus' claims to save them. As this Court has correctly held, "the accused machine, that of Inman and that of the Marcalus patent are as alike as [fol. 47] peas in a pod", and claims that read on one pea assuredly read on all. Hence, if limitations are to be read into these claims, then inexorably "the claims of the patent must be limited to nought" as this Court has said. And

a claim whose scope is nought is, by definition, an invalid claim. This Court has, therefore, rendered unworkable the nice but workable distinction carefully observed by the learned Chief Justice—has indeed obliterated that nice distinction altogether—and has permitted Marcalus to attack the validity of his own patent as surely as though the doctrine of estoppel had never been heard of. It has permitted Marcalus to achieve by indirection what he could not achieve directly—a thing that Judge Smith (*and* the Supreme Court) rightly forbade. We repeat: this Court has abolished the doctrine of estoppel by deed to the assignment of patent property.

II

The analogy between property in land and in ideas, although useful, must not be pushed too far. This Court, in support of its conclusions writes:

"If an individual purported to convey a public park to [redacted] stranger, the grantee could not exclude the grantor from the premises."

Why not? The Court asserts this as a truism, but justice might well decree otherwise. If the Court is right, it is not because any fundamental principle of equity dictates the result, but because considerations of expediency may make it impracticable to exclude from a public park ~~any~~ member of the public suffered to roam at large. There is the further consideration that the exercise of the most elementary precautions would have saved our foolish stranger from the consequences of his folly: his wily grantor had at no time even colorable title to the property conveyed. In contrast, the patentee of a duly issued patent not only has good title to it—the patent is indubitably valid until some court has held it invalid.

[fol. 48]

III

The Court finds the public interest best served by relieving Marcalus of the estoppel, reasoning that if Marcalus were required to pay plaintiff a royalty, this royalty would be passed on to the public, which would, therefore, have to pay a higher price for the products of Marcalus' machine than otherwise, notwithstanding the patent on the machine is invalid. To this there are two answers:

(1) Marcalus would never be given the privilege of paying a royalty; he would be summarily enjoined. (2) If Marcalus, to prevent diminution of his profits, should attempt to pass on to the public the royalty which the Court assumes he would be allowed to pay, he would have to raise the price of his waxed paper packages; whereupon the public would cease to buy his wares, patronizing instead his competitors, all of whom would be free to use the same machine without paying a penny's royalty to anybody. Thus the public would be none the poorer; only Mr. Marcalus. And the same happy result would be reached should he absorb the royalty. It is difficult to see how it could be otherwise in a free economy. Thus the Court is conferring no benefit on the public, but it is certainly paying Marcalus a handsome and unearned dividend on his double dealing.

In its zeal to protect an abstract public interest the Court has failed to do justice to the aggrieved suitor at its Bar. We respectfully suggest that the public interest were better served by promoting honest dealing among men than by asserting the primacy of "a fundamental principle of our patent system: that when a patent has expired the device or the process which it discloses lies in the public domain", particularly when the validity of that fundamental principle remains unchallenged and unimpaired. We ask only that its invocation by this defendant be denied.

[fol. 49]

IV

The Court concludes by denying plaintiff's right to assert the estoppel against Marcalus because of lack of mutuality. Plaintiff, the Court avers, was chargeable with knowledge of the Inman patent at the time Marcalus assigned his application; hence knew it was getting an invalid patent, and cannot complain that it was cheated! Plaintiff is thus charged with being an accessory to its own spoliation, which is certainly carrying *caveat emptor* to new and fantastic limits. It hath been said by them of old time: Surely in vain is the net set in the sight of any bird, but this Court, in its wisdom, thinks otherwise. Furthermore, if plaintiff was chargeable with knowledge of Inman, then Marcalus was equally chargeable—with shocking implications. For to hold plaintiff chargeable with this knowl-

edge makes of its management a parcel of dolts, but to hold likewise with respect to Marcalus makes of him a thief and knave who first perjured himself by falsely swearing to Inman's invention and then gulled his generous if simple-minded employer by selling it to him. And what is worse, he is now permitted to enjoy at leisure the ill-gotten fruits of his crimes. Never was confidence man more considerately treated! We have deplored Marcalus' undeveloped sense of punctilio, but we have never charged him with deliberate fraud.

The Court recognizes that there is no difference in legal effect between a prior patent (expired or not) a prior printed publication or a prior use—all being embraced within the inclusive "prior art". If then the assignee be presumed to know the prior art, how could the doctrine of estoppel by deed to the assignment of patent property ever have arisen, and become well-established? And yet it is hardly too much to say that the doctrine is well-established—or was before February 8th. Twenty years ago the Supreme Court in the Formica case said of the doctrine that it had then been settled by forty-five [fol. 50] years of judicial consideration and refused lightly to disturb it: "As to the rest of the world" said the Supreme Court, "the patent may have no efficacy and create no right of monopoly; but the assignor cannot be heard to question the right of his assignee to exclude him from its use". But how, we ask, can the assignee have the unquestioned right to exclude his assignor from the use of a wholly ineffectual patent, if we are to presume, as this Court does, that the assignee was aware of its disabilities at the time of the assignment? Omnipotence and estoppel are incompatible; he who understands all mysteries and all knowledge can never be misled. Again we see that not only has this Court "lightly disturbed" a rule settled by sixty-five years of judicial consideration—a thing the Supreme Court would not do after forty-five—it has abolished it utterly.

A rehearing is requested.

Respectfully, George E. Middleton, Counsel for Plaintiff-Appellee.

February 20, 1945.

I hereby certify that the foregoing petition for rehearing
is presented in good faith and not for delay.

George E. Middleton.

[fol. 82]. IN THE UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE THIRD CIRCUIT, OCTOBER TERM, 1943

No. 8589.

AUTOMATIC PAPER MACHINERY COMPANY, INC., Plaintiff,

VS.

MARCALUS MANUFACTURING COMPANY, INC., and NICHOLAS
MARCALUS, Defendants-Appellants

SUR PETITION FOR REHEARING

And Now, to wit March 6, 1945, after due consideration,
the petition for rehearing in the above-entitled case is
hereby denied.

Philadelphia,

John Biggs, Jr., Circuit Judge.

Endorsements: Order Denying Petition for Rehearing.
Received and Filed March 6, 1945. Wm. P. Rowland, Clerk.

[fol. 83] UNITED STATES OF AMERICA,
Eastern District of Pennsylvania,
Third Judicial Circuit, Set:

I, Wm. P. Rowland, Clerk of the United States Circuit
Court of Appeals for the Third Circuit, do hereby certify
the foregoing to be a true and faithful copy of the original
Appendices to the Briefs for Appellants and Appellee, as
constituting the portions of the record before this court at
argument; and proceedings in this court, in the case of
Automatic Paper Machinery Company, Inc. vs. Marcalus
Manufacturing Company, Inc., et al., Appellants, No. 8589,
on file, and now remaining among the records of the said
Court, in my office.

In Testimony Whereof, I have hereunto subscribed my
name and affixed the seal of the said Court, at Philadelphia,
this 10th day of March in the year of our Lord one thousand
nine-hundred and forty-five and of the Independence of the
United States the one hundred and sixty-ninth.

Wm. P. Rowland, Clerk of the U. S. Circuit Court
of Appeals, Third Circuit. (Seal.)

[fol. 84] [Stamp:] Office of the Clerk, Supreme Court, U. S.
Mar. 17, 1945

IN THE SUPREME COURT OF THE UNITED STATES, OCTOBER
TERM, 1944

AUTOMATIC PAPER MACHINERY COMPANY, INC., Petitioner,
vs.

MARCALUS MANUFACTURING COMPANY, INC., and NICHOLAS
MARCALUS, Respondent

STIPULATION

It Is Hereby Stipulated and Agreed by and between counsel for the respective parties hereto, that the petition for writ of certiorari in the above matter may be considered by the Court on the appendices to the briefs of the parties, as filed in the Circuit Court of Appeals for the Third Circuit, supplemented by the proceedings in the Court of Appeals.

It Is Further Stipulated that, in the event the petition for writ of certiorari is granted, this case may be considered by the Court, on the return of the writ of certiorari, on the record as presented by the appendices as filed by the parties in the Circuit Court of Appeals for the Third Circuit, supplemented by the proceedings in that Court.

George E. Middleton, Counsel for Petitioner.
Samuel E. Darby, Jr., Counsel for Respondent.

Dated: New York, New York, March 14, 1945.

(7239)

[fol. 53] SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed April 30, 1945

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the Third Circuit is granted.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

(9440)

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APR 3 1945

CLERK

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1944

No. **7**

54

AUTOMATIC PAPER MACHINERY COMPANY, INC.,

Petitioner

vs.

MARCALUS MANUFACTURING COMPANY, INC.,

and **NICHOLAS MARCALUS**

Respondents

**PETITION FOR WRIT OF CERTIORARI TO THE
CIRCUIT COURT OF APPEALS FOR THE
THIRD CIRCUIT AND BRIEF IN
SUPPORT THEREOF.**

② **GEORGE E. MIDDLETON**

Counsel for Petitioner

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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1944

AUTOMATIC PAPER MACHINERY COMPANY, INC.,

Petitioner

vs.

MARCALUS MANUFACTURING COMPANY, INC.,

and NICHOLAS MARCALUS

Respondents

PETITION FOR WRIT OF CERTIORARI

*To the Honorable, the Chief Justice and Associate Justices
of the Supreme Court of the United States:*

YOUR PETITIONER, Automatic Paper Machinery Company, Inc., prays for a writ of certiorari to the United States Circuit Court of Appeals for the Third Circuit to review the judgment of that Court in this cause filed on February 8, 1945 (Rec. p. 32). A petition for rehearing was denied on March 6, 1945 (Rec. p. 51).

A certified transcript of the record in this case, including the proceedings in the Circuit Court of Appeals, is furnished herewith in compliance with Rule 38 of the Rules of this Court.

SUMMARY STATEMENT OF THE MATTER INVOLVED

This is a civil action brought by petitioner to recover damages for past infringement and to enjoin future infringement of claims 1, 2, 3, 4, 7 and 8 of Marcalus Patent No. 1,843,429, issued to petitioner on February 2, 1932 (Rec. p. 12). The patent is entitled "Mounting Cutters on Box Blanks", and the claims in suit relate to a machine for performing that operation.

The respondent, Marcalus, made the invention of the patent in suit while in the employ of petitioner, to whom he assigned the patent application for good and valuable consideration (Petitioner's Exhibit 6, Rec. p. 29). The application was allowed as filed (Findings of Fact, Rec. p. 2). Marcalus subsequently left petitioner's employ and organized the competing respondent company, which he controls (Findings of Fact, Rec. p. 2) and, when occasion arose, built and operated the accused machine (Rec. p. 31), which is the structural and functional equivalent of the patented machine. This action was thereupon brought and decided on a motion for summary judgment, the parties agreeing that there was no genuine issue as to any material fact. (In the brief before the Court of Appeals, respondents conceded that Marcalus and his company might be regarded as one and we shall so regard them here.)

Sued for infringement of his own patent, respondent denied infringement, although, as we shall see, what he really did was to deny validity. That the accused machine infringes the patent in suit in the ordinary sense is too plain for argument, as the District Court demonstrated by reading a typical claim on it, element for element (Rec. p. 34). Respondent's defense of non-infringement derives from his assertion that he is following the prior art and *a fortiori* cannot infringe. In support of this defense he came forward with an expired patent to one Inman, No. 1,036,851 August 27, 1912 (Rec. p. 25), on which he claimed to have

patterned the accused machine. Whether he did or not, both courts below found the machine of the patent in suit, the accused machine and the Inman machine to be substantially identical. As the Court of Appeals put it, after noting certain "trivial" distinctions: "the accused machine, that of Inman and that of the Marechal patent are as alike as peas in a pod"; which being so, no troublesome questions of fact can arise to distract us. "The main issue of the case presents the question of estoppel by deed in patent property in classic simplicity", said the Circuit Court of Appeals.

Respondeht contended that under the rule approved by this Court in *Westinghouse Electric & Mfg. Co., v. Formica Insulation Co.*, 266 U. S. 342, it was competent for him to rely on Inman for the purpose of narrowing the scope of his patent and so escape the odium—as well as the more solid disadvantages—of infringing it. That in so doing he might reduce that scope to nought and so effectively destroy the thing he had assigned, he regarded as a fortuitous—albeit fortunate—irrelevance with which he was in nowise concerned.

The Formica case succinctly states the doctrine of estoppel by deed to the assignment of patent property, and its limitations:

"* * * an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant". (349)

"Of course, the state of the art can not be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable." (351).

4

Respondent fixed his attention upon the permissive part of the rule: "the state of the art may be used to construe and narrow the claims of the patent", overlooking the condition imposed: "conceding their validity".

The District Court did not overlook this condition, pointing out that Inman did more than construe and narrow the claims of the patent in suit; that it invalidated those claims. Said the Court:

"Since the claims must be construed in the light of the prior art, the assignor may invoke the prior art but for the sole purpose of limiting the claims and their co-extensive estoppel. The assignor, however, may not invoke the prior art for the ostensible purpose of limiting the claims, but for the real purpose of challenging their validity for lack of novelty. * * * The assignor will not be permitted to defeat the estoppel by indirection".

"If we were to permit the defense of non-infringement to rest on the Inman patent, the defendants would achieve, by indirection, the destruction of the Marcusus patent and the defeat of its assignment, and this the defendants may not do." (Rec. p. 7).

Whereupon a judgment was entered holding the claims in suit infringed and respondent estopped to deny the validity of his own patent (Rec. p. 9).

The Court of Appeals, although agreeing that the claims in suit were infringed in the sense that they read on the accused machine—a claim that reads on one pea in a pod unquestionably reads on all the other peas in the same pod—nevertheless shared respondent's preoccupation with the claim-narrowing aspect of the Formica rule and reversed the District Court, concluding—with frank dubiety:

"If we are correct in our conclusion that under the rule of the Formica decision the prior art measures

the extent of the anticipation and the anticipation limits the claims, anticipation being complete in the instant case, the claims of the patent must be limited to nought. We conclude that the District Court erred in holding the contrary.” (Rec. p. 41)

But a claim whose scope is nought is indistinguishable from an invalid claim—is by definition an invalid claim. Thus the Court of Appeals, although in form adjudging the patent not infringed, has in substance adjudged it invalid, thereby rendering unworkable the nice but workable distinction observed by this Court in the Formica case and abolishing the doctrine of estoppel by deed to the assignment of patent property. It has permitted respondent to encompass the destruction of his own patent as effectively as though the doctrine of estoppel had never been heard of.

The rule of the Formica case is a simple rule. Nevertheless it has been variously interpreted, as the Court of Appeals observed:

“Decisions of the inferior federal courts since the Formica case present varying interpretations of the Supreme Court’s ruling”, (Rec. p. 37)

and then proceeded to document its observations. In particular it called attention to *Casco Products Corp. v. Sisko Tool & Mfg. Co.*, 116 F. (2d) 119 (cert. den. 312 U. S. 683), a patent license case, and *Buckingham Products Co. v. McAleer Mfg. Co.*, 108 F. (2d) 192, a suit against an assignor-patentee. In the former the Court of Appeals for the Seventh Circuit held that a defendant-licensee was not estopped to show that it followed the prior art, even though the application of that art plus ordinary mechanical skill should result in a structure on which the claims of the licensed patent might read. In the latter, as in the instant case, an assignor-patentee, sued for infringement of his own patent, showed a state of the art which, if offered by a third party, would have invalidated the patent in suit.

and which, if disclosed to the Patent Office, would have defeated the application. Nevertheless, the Court of Appeals for the Sixth Circuit refused to permit the assignor to use that state of the art to destroy the assigned patent and defeat the grant, holding the assignor estopped to do that under the Formica rule.

The Court of Appeals for the Third Circuit in the instant case, commenting on these two decisions, said:

"It will be observed that the Casco decision is at one extreme and the Buckingham decision, at the other." (Rec. p. 38)

And later:

"We believe that the decision in the Casco case was correct." (Rec. p. 40)

The Third Circuit has, therefore, expressly refused to follow the Sixth in the latter's interpretation of the Formica rule.

JURISDICTION.

The jurisdiction of this Court is invoked under section 240 (a) of the Judicial Code as amended by the act of February 13, 1925, c. 229 (28 U. S. Code, Sec. 347).

The decree of the Circuit Court of Appeals for the Third Circuit, which petitioner seeks to have reviewed, was entered on February 8, 1945 (Rec. p. 32) and a petition for rehearing denied on March 6, 1945 (Rec. p. 51).

THE QUESTION PRESENTED.

May an assignor of a patent, when sued for infringement of it, use the state of the art for the ostensible purpose of construing and narrowing the claims of his patent and showing that he does not infringe them, when the effect of so doing is to limit that scope to nought and so destroy the patent and defeat the grant?

REASONS FOR GRANTING THE WRIT.

1. The Circuit Court of Appeals for the Third Circuit in permitting an assignor of a patent, when sued for infringement of it, to use the state of the art to narrow the scope of his claims to nought, and thus destroy the patent and defeat the grant, has rendered a decision,
 - (a) in conflict with the controlling decision of this Court in the Formica case, and
 - (b) in conflict with the decision of the Circuit Court of Appeals for the Sixth Circuit on the same matter in *Buckingham v. McAleer, supra*, and in conflict with decisions of other federal courts on the same matter.
2. The inferior federal courts have variously interpreted this Court's ruling in the Formica case.

WHEREFORE YOUR PETITIONER respectfully prays that a writ of certiorari be issued to the United States Circuit Court of Appeals for the Third Circuit to the end that this cause may be reviewed and determined by this Court; that the judgment of the Court of Appeals for the Third Circuit be reversed and that of the District Court affirmed; and that petitioner be granted such other and further relief as may be proper.

AUTOMATIC PAPER MACHINERY COMPANY, INC.
By GEORGE E. MIDDLETON,
Counsel for Petitioner.

New York, N. Y.
April 2, 1945.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

OPINIONS OF THE COURTS BELOW.

The opinion of the District Court for the District of New Jersey, written by Judge Smith, appears at page 1 of the record and is reported in 54 F. Supp. 105. The opinion of the Circuit Court of Appeals for the Third Circuit (Circuit Judges Biggs, Goodrich and McLaughlin), written by Judge Biggs, appears at page 32 of the record and is reported in 64 USPQ 320.

JURISDICTION.

The jurisdictional statement appears in the accompanying petition.

STATEMENT OF THE CASE.

The essential facts of the case are stated in the accompanying petition and need not be repeated here.

SPECIFICATION OF ERRORS.

The Circuit Court of Appeals for the Third Circuit erred:

- (1) In permitting the assignor-patentee, Marcalus, to use the state of the art to narrow the scope of his patent claims in support of the defense of non-infringement when the result of so doing was to narrow that scope to nought and so invalidate the patent.
- (2) In failing to understand that under the rule in the Formica case, an assignor-patentee's right to use the state of the art to construe and narrow his patent claims when sued for their infringement is conditioned upon his concession of their validity and circumscribed by his estoppel

to use the state of the art to destroy the patent and defeat the grant; that the right of the assignee to exclude the assignor from the use of the patent assigned cannot be questioned even though as to the rest of the world the patent may have no efficacy and create no right of monopoly.

(3) In reversing the judgment of the District Court and holding the respondent not to infringe.

SUMMARY OF ARGUMENT.

This Court, in the Formica case, relaxed the theretofore strict rule of the Seventh Circuit that an assignor-patentee, sued for infringement of his own assigned patent, was estopped to show the state of the art, not only for the purpose of invalidating the patent, but for the purpose of narrowing and construing its claims as well. The state of the art might be used for the latter purpose, said this Court, but only on condition that the validity of the claims be conceded. Most federal courts since that time have understood the Formica rule and correctly applied it, but some, including the Court of Appeals for the Third Circuit, have not. The rule has been variously interpreted; it is in the public interest that it be correctly understood and uniformly applied.

ARGUMENT.

I

The doctrine of estoppel by deed is an ancient doctrine having its genesis in the law of real property and long antedating our patent laws. But the applicability of the doctrine to the assignment of patent property has been recognized in this country for many years and was well stated by Mr. Chief Justice Taft in the Formica case:

"The analogy between estoppel in conveyances of land and estoppel in assignments of a patent right is

clear. If one lawfully conveys to another a patented right to exclude the public from the making, using and vending of an invention, fair dealing should prevent him from derogating from the title he has assigned, just as it estops a grantor of a deed of land from impeaching the effect of his solemn act as against his grantee. The grantor purports to convey the right to exclude others, in the one instance, from a defined tract of land; and in the other, from a described and limited field of the useful arts. The difference between the two cases is only the practical one of fixing exactly what is the subject matter conveyed. A tract of land is easily determined by survey. Not so the scope of a patent right for an invention." (350)

The practical difficulty of fixing exactly the subject matter conveyed when that subject matter is a patented invention had given rise to two contradictory rules: one, that the state of the art *might* be considered to determine the scope of the patent, conceding its validity; the other, that the state of the art *might not* be considered for that purpose. The first rule was applied by the federal courts generally and well stated by the Circuit Court of Appeals for the Sixth Circuit in *Noonan v. Chester Park Athletic Co.*, 99 Fed. 90, 91; the second was peculiar to the Circuit Court of Appeals for the Seventh Circuit and well stated by that Court in *Siemens-Halske Electric Co. v. Duncan Electric Co.*, 142 Fed., 157, 159. The resulting conflict was resolved by this Court in the Formica case:

"We think, however, that the better rule, in view of the peculiar character of patent property, is that the state of the art may be considered. Otherwise the most satisfactory means of measuring the extent of the grant the Government intended and which the assignor assigned would be denied to the court reaching a just conclusion." (350)

But then the Court added—and this is the gist of the decision:

"Of course, the state of the art can not be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable." (351)

Thus the more liberal rule of the Sixth Circuit was given preferment over the stricter rule of the Seventh, *but* the fundamental doctrine itself was left undisturbed:

"In view of the usual finality of patent decisions in the Circuit Courts of Appeal, this Court will not now lightly disturb a rule well settled by forty-five years of judicial consideration and conclusion in those courts." (349)

This Court did not, we believe, intend that liberality in application should prove the rule's undoing.

Parenthetically it may be noted that the courts have not expressly distinguished between an assignor's estoppel to contest the validity of his assigned patent and a patent licensee's estoppel to contest the validity of the patent under which he is licensed. Although a good case might be made out for a stricter application of the rule to the assignor than to the licensee, it is not necessary to make a point of it here except to note that those cases in which the restraining influence of the estoppel has been relaxed the most have been cases in which a licensee's estoppel has been involved. That is, until the instant decision.

II

Since 1924, when the Formica case was decided, no assignor of a patent, sued for its infringement, has been denied the privilege of supporting a defense of non-infringement by showing the state of the art and thus narrowing

and construing the claims of his assigned patent. The courts have, however, required as the price of that privilege a concession of validity from the assignor-defendant and have inclined toward liberality in construing his claims.

In *Frank Associates, Inc. v. Columbia Narrow Fabric Co.*, (D. C. S. D. N. Y.) 33 F. Supp. 279, Judge Knox, faced with a situation analogous to the one here, said—after citing the Formica decision:

"But, though it be that the assignor of a patent may, by proof of prior art, limit the scope of its claims, and thus, successfully, deny their infringement, he is estopped from claiming the invalidity of the patent. It is true, also, that as between an assignor and his assignee, 'the courts will give a liberal, rather than a narrow, construction to the patent assigned.' ***"

"Following this rule of law, and, bearing in mind the defendant is estopped to deny the validity of the patent, I do not see how it can avoid a decree of infringement. A limitation of the claims which would exonerate defendant would be tantamount to a decree that the claims are invalid." (282-283)

He then held the claims valid and infringed.

In *West v. Premier Register Table Co.*, 27 F. (2d) 653, an infringement suit against an assignor-patentee, the Circuit Court of Appeals for the First Circuit said:

"Observing the rule laid down in *Westinghouse Electric & Mfg. Co. v. Formica Insulation Co.*, supra, that the prior art may be shown to determine the scope of the patent as against an assignor but not to destroy the grant, it discloses nothing to limit or narrow the scope of the patent." (656)

and held the claims in suit valid and infringed. But in a separate concurring opinion Judge Lowell said:

"I agree with the conclusion of the majority of the court. The assignor of a patent may not assert its in-

validity. All that the patentees did was to adopt for use in a printer's table an alining bar, which was old in the analogous art of drawing boards. Bergner United States patent No. 195,915, October 9, 1877. This, in my opinion, did not involve invention." (656)

Perhaps the most outspoken of all the courts in holding the assignor's right of limitation within decent bounds has been the Circuit Court of Appeals for the Sixth Circuit in the Buckingham decision, 108 F. (2d) 192, which the Court of Appeals for the Third Circuit expressly refused to follow in the instant case. There the state of the art, proven by a stranger, would admittedly have invalidated the patent in suit—the anticipation was complete. That case was perhaps stronger for the defendant than the instant case, because there it appeared that the assignee had actually known of an anticipating prior use before the patent in suit had been filed or assigned and intimations of fraud were not lacking. But the Court of Appeals refused to permit the assignor-defendant to use the state of the art to destroy the patent and defeat the grant. Nor would the Court permit the defendant to escape infringement by reading unexpressed limitations into the claims.

"Neither he [the assignor] nor those in privity with him may now be heard to say that his invention is narrower than what is plainly indicated by the claims, and so escape the charge of infringement under the rule of the Formica case." (195)

Judge Smith, the District Judge who found for petitioner here, correctly applied the rule of the Formica case. He saw, just as his Court of Appeals saw, that the Inman patent, offered by respondent for the ostensible purpose of narrowing and construing his claims, completely anticipated those claims. But he saw what his Court of Appeals apparently did not see: that Marcalus could not use Inman for the purpose of narrowing and construing his claims.

and at the same time concede their validity. The two were incompatible. He rightly concluded, therefore, as had Judge Knox under similar conditions in the Frank Associates case, that reliance upon Inman was tantamount to holding the patent in suit invalid, and as Marcalus was estopped to do that, he excluded Inman from consideration. The Court of Appeals, unhappily, failed to see that one cannot concede the validity of a claim whose scope has been reduced to nought.

III

These then are courts that have correctly understood and properly applied the Formica rule. But there have been courts that have questioned that rule in cases where the state of the art seemed to reduce the scope of the assigned patent to minuscule proportions, and some that have expressed views which, taken on their face, would seem to repudiate the rule.

Judge Kirkpatrick, in *Timken-Detroit Axle Co. v. Alma Motor Co.*, (D. C. D. Del.) 47 F. Supp. 582, had this to say:

"If no limitation at all, by reference to the specification, be imposed upon this claim we reach the point where the distinction which the Court spoke of in the Formica case—that is, using the prior art to construe and narrow a claim without letting it affect its validity—remains nice but becomes unworkable. The situation is that of a claim, completely anticipated by the prior art." (588)

He then proceeded to read unexpressed limitations into the claim, which not only gave it validity, but haply left it infringed as well—a conclusion eminently satisfactory to the plaintiff-licensor. The point of the citation is the judge's comment that, in the presence of a complete anticipation, the nice but workable distinction observed by this Court in the Formica case "remains nice but becomes un-

workable". It becomes unworkable only when, as in the instant case, the anticipation is allowed to defeat the estoppel. As long as the assignor or licensee is required to concede the validity of the claim, the distinction remains workable—and nice enough.

An odd misinterpretation of the Formica rule is found in *Dwight & Lloyd Sintering Co., Inc., v. American Ore Reclamation Co.*, (D. C. S. D. N. Y.) 44 F. Supp. 401. There Judge Bondy, after repeatedly affirming the estoppel rule, said this:

"Were it not for the estoppel to deny user, the court would find with reference to patents 1,433,349 and 1,433,351 that the devices used by defendant's sub-licensees alleged by plaintiff to have used these patents are substantially the same as the device disclosed by patent 916,393, which was part of the prior art relied on by defendant. The claims of patents 1,433,349 and 1,433,351 accordingly will not be interpreted to include the devices used by defendant's sub-licensees." (403)

Obviously, it gives a plaintiff little comfort to refrain from invalidating his patents while interpreting them so as to leave them not infringed: Judge Bondy having reached his conclusion by intuition, proceeded to organize his premises *a posteriori*.

But it remained for the Court of Appeals for the Seventh Circuit, in pre-Formica days the staunchest champion of the estoppel doctrine, to give it the unkindest cut of all. In the Casco Products decision, 116 F. (2d) 119, that Court, after referring to the Formica rule and quoting from the Noonan decision, 99 Fed. 90, had this to say:

"Perhaps we should hesitate to enlarge upon this. Despite some trepidation, however, we assert the corollary rule to be that defendant is estopped to assert that patents under which it is licensed merely follow the teaching of the prior art, for to do so would

invalidate that which it has covenanted is valid; but that, by the same token, defendant is not estopped to prove that its devices are built wholly according to the teaching of the prior art and that everything necessary to their conception and construction was taught by such art, for such proof clearly negatives infringement. In other words if everything in defendant's construction was taught by the prior art and nothing included therein other than the application of such art, plus ordinary mechanical skill, then the mere fact that the device constructed reads upon the claims of patent, the validity of which it is estopped to deny, does not spell infringement." (121)

If it be argued that this case involved a licensee's estoppel, not an assignor's, and that a different result would and should have been reached had an assignor been sued, we can only answer ruefully that the Court of Appeals for the Third Circuit perceived no such distinction and used the reasoning of the Casco decision to vitiate an assignor's estoppel in the instant case.

IV

Respondent's counsel in argument and brief before the Court of Appeals urged that court to do away with the doctrine of estoppel by deed to the assignment of patent property on the ground that it was contrary to public policy. The disclosures of expired patents—so the argument ran—are within the public domain and to exclude anyone, even this respondent, from full and free enjoyment of them would be to deprive the public of rights that it had bought and paid for—an egregious and shocking injustice. This, said counsel, is a fundamental principle of our patent system. (But petitioner bought and paid for rights too. What of them?) The Court of Appeals accepted the argument, finding "cogent reasons . . . why the doctrine of estoppel by deed should be held to be inapplicable in the instant

circumstances", and dragged in old *Pro Bono Publico* (Rec. p. 41). But the public is being deprived of no rights when Marcalus is enjoined from infringing his own assigned patent; only Marcalus is being deprived—which seems right and just.

"As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use", (349)

said Mr. Chief Justice Taft..

There is a public interest involved, to be sure, but that interest were better served by promoting fair dealing among men than by quixotically upholding "a fundamental principle of our patent system" which is not in jeopardy anyway. The principle is sound enough; this respondent is simply estopped to invoke it.

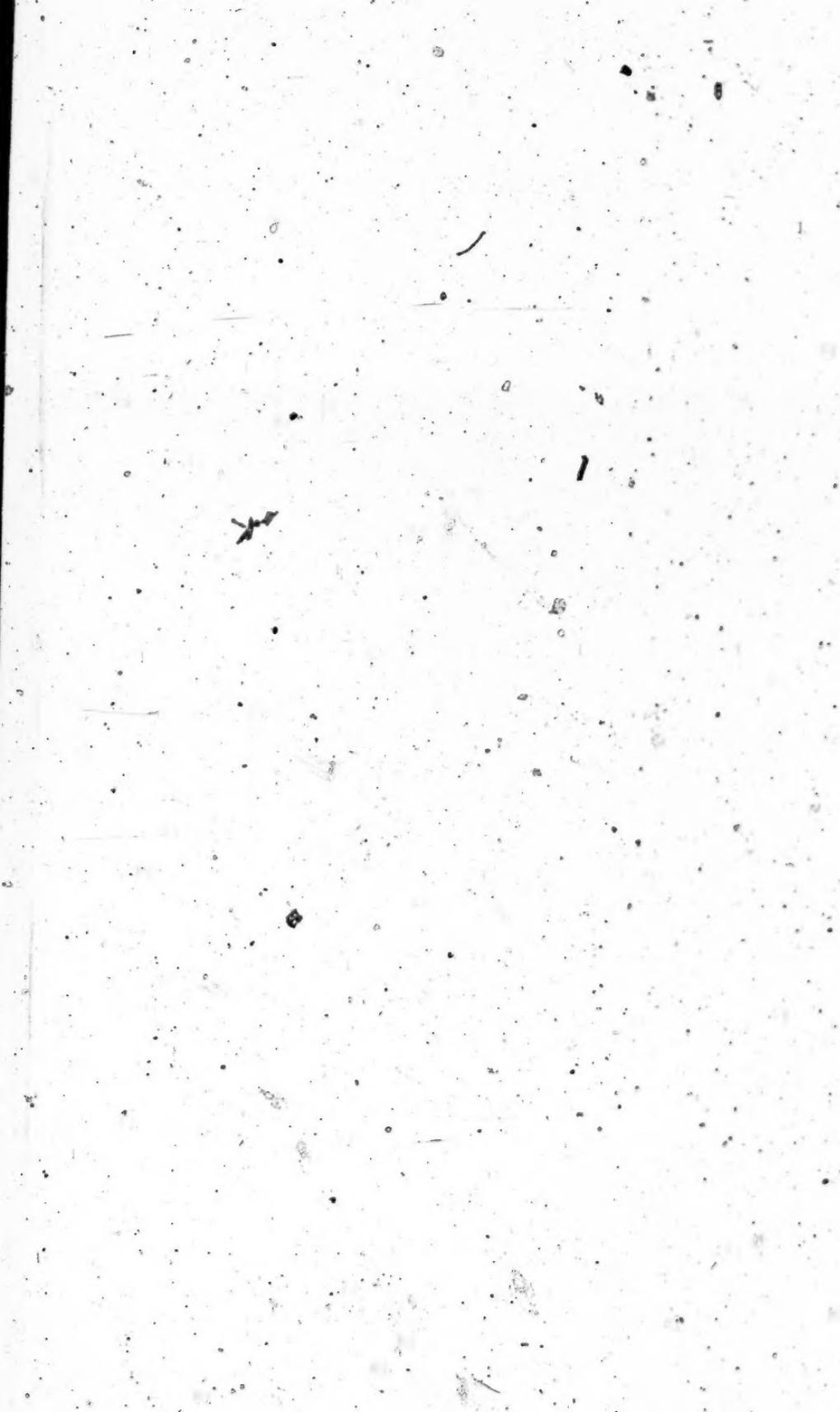
CONCLUSION.

The writ of certiorari in the Formica case itself was granted to resolve a conflict between two contradictory rules arising out of two different concepts of the doctrine of estoppel by deed to the assignment of patent property. An analogous conflict has now arisen between two interpretations of the rule enunciated by this Court in that earlier case. The Circuit Court of Appeals for the Third Circuit has misapprehended the rationale of that rule. We ask this Court to grant our petition in order that it may resolve the conflict, quiet the present confusion, and correct the errors of the Third Circuit Court of Appeals.

Respectfully submitted,

**GEORGE E. MIDDLETON,
Counsel for Petitioner.**

New York, N. Y.
April 2, 1945.



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CLERK

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1945

No. 54

SCOTT PAPER COMPANY,

Petitioner

vs.

MARCALUS MANUFACTURING COMPANY, INC.,

and NICHOLAS MARCALUS

BRIEF FOR PETITIONER

GEORGE E. MIDDLETON

Counsel for Petitioner

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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1945

SCOTT PAPER COMPANY,

Petitioner

vs.

**MARCALUS MANUFACTURING COMPANY, INC.,
and NICHOLAS MARCALUS**

**ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT
COURT OF APPEALS FOR THE THIRD CIRCUIT**

BRIEF FOR PETITIONER

THIS is an action for patent infringement, before this Court on a writ of certiorari under the provisions of Title 28, Section 347 of the United States Code. The petition was granted April 30, 1945. On May 25, 1945 the original petitioner, Automatic Paper Machinery Company, Inc., assigned the entire right, title and interest in the patent in suit, together with the right to continue the prosecution of this action, to Scott Paper Company. On June 11, 1945 an order was entered substituting Scott Paper Company as the party petitioner herein. As used in this brief, "petitioner" will usually refer to Automatic Paper Machinery Company, as the context will make clear.

OPINIONS OF THE COURTS BELOW

The opinion of the District Court, for the District of New Jersey, written by Judge Smith, appears at page 1 of the record and is reported in 54 F. Supp. 105. The opinion of the Circuit Court of Appeals for the Third Circuit (Circuit Judges Biggs, Goodrich and McLaughlin), written by Judge Biggs, appears at page 23 of the record and is reported in 147 F. 2d 608.

STATEMENT OF THE CASE

This is a civil action brought by petitioner to recover damages for past infringement and to enjoin future infringement of claims 1, 2, 3, 4, 7 and 8 of Marcalus Patent No. 1,843,429, issued to petitioner on February 2, 1932 (Rec. p. 10). The patent is entitled "Mounting Cutters on Box Blanks", and the claims in suit relate to a machine for performing that operation.

The respondent, Marcalus, made the invention of the patent in suit while an officer and employee of petitioner, to whom he assigned the patent application for good and valuable consideration, covenanting that he had "full right so to do" and agreeing to "do everything possible to aid said Automatic Machinery Co. Inc., its successors, assigns and nominees, to obtain and enforce proper patent protection for said invention in all countries" (Petitioner's Exhibit 6, Rec. p. 19). The application was allowed as filed (Findings of Fact, Rec. p. 2). Marcalus subsequently left petitioner's employ and organized the competing respondent company, which he controls (Findings of Fact, Rec. p. 2) and, when occasion arose, built and operated the accused machine (Rec. p. 21), which is the structural and functional equivalent of the patented machine. This action was thereupon brought and decided on a motion for summary judgment, the parties agreeing that there was no genuine issue as to any material fact. (In the brief before the Court of Appeals, respondents

conceded that Marcalus and his company might be regarded as one and we shall so regard them here).

Sued for infringement of his own patent, respondent denied infringement, although, as we shall see, what he really did was to deny validity. That the accused machine infringes the patent in suit in the ordinary sense is too plain for argument, as the District Court demonstrated by reading a typical claim on it, element for element (Rec. pp. 3-4). Respondent's defense of non-infringement derives from his assertion that he is following the prior art and perforce cannot infringe. In support of this defense he came forward with an expired patent to one Inman, No. 1,036,851 August 27, 1912 (Rec. p. 18), on which he claimed to have patterned the accused machine. Whether he did or not, both courts below found the machine of the patent in suit, the accused machine and the Inman machine to be substantially identical. As the Court of Appeals put it, after noting certain "trivial" distinctions: "the accused machine, that of Inman and that of the Marcalus patent are as alike as peas in a pod" (Rec. p. 31); which being so, no troublesome questions of fact can arise to distract us. "The main issue of the case presents the question of estoppel by deed in patent property in classic simplicity", said the Circuit Court of Appeals (Rec. p. 26).

Respondent contended that under the rule approved by this Court in *Westinghouse Electric & Mfg. Co. v. Formica Insulation Co.*, 266 U. S. 342, it was competent for him to rely on Inman for the purpose of narrowing the scope of his patent and so escape the odium—as well as the more solid disadvantages—of infringing it. That in so doing he might reduce that scope to nought and so effectively destroy the thing he had assigned, he regarded as a fortuitous—albeit fortunate—irrelevance with which he was in nowise concerned.

The Formica case succinctly states the doctrine of estoppel by deed to the assignment of patent property, and its limitations:

"*** an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant". (349).

"Of course, the state of the art can not be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable." (351).

Respondent fixed his attention upon the permissive part of the rule: "the state of the art may be used to construe and narrow the claims of the patent"; overlooking the condition imposed: "conceding their validity".

The District Court did not overlook this condition, pointing out that Inman did more than construe and narrow the claims of the patent in suit; that it invalidated those claims. Said the Court:

"Since the claims must be construed in the light of the prior art, the assignor may invoke the prior art but for the sole purpose of limiting the claims and their co-extensive estoppel. The assignor, however, may not invoke the prior art for the ostensible purpose of limiting the claims, but for the real purpose of challenging their validity for lack of novelty. *** The assignor will not be permitted to defeat the estoppel by indirection".

"If we were to permit the defense of non-infringement to rest on the Inman patent, the defendants would achieve, by indirection, the destruction of the Marealus patent and the defeat of its assignment, and this the defendants may not do." (Rec. p. 6).

Whereupon a judgment was entered holding the claims in suit infringed and respondent estopped to deny the validity of his own patent (Rec. p. 7).

The Court of Appeals, although agreeing that the claims in suit were infringed in the sense that they read on the accused machine—a claim that reads on one pea in a pod unquestionably reads on all the other peas in the same pod—nevertheless shared respondent's preoccupation with the claim-narrowing aspect of the Formica rule and reversed the District Court, concluding—with frank dubiety:

"If we are correct in our conclusion that under the rule of the Formica decision the prior art measures the extent of the anticipation and the anticipation limits the claims, anticipation being complete in the instant case, the claims of the patent must be limited to nought. We conclude that the District Court erred in holding the contrary." (Rec. p. 32).

But a claim whose scope is nought is indistinguishable from an invalid claim—is by definition an invalid claim. Thus the Court of Appeals, although in form adjudging the patent not infringed, has in substance adjudged it invalid thereby rendering unworkable the nice but workable distinction observed by this Court in the Formica case and abolishing the doctrine of estoppel by deed to the assignment of patent property. It has permitted respondent to encompass the destruction of his own patent as effectively as though the doctrine of estoppel had never been heard of.

The case presents a single question:

May an assignor of a patent, when sued for infringement of it, use the state of the art for the ostensible purpose of construing and narrowing the claims of his patent and showing that he does not infringe them, when the effect of so doing is to limit that scope to nought and so destroy the patent and defeat the grant?

This question was answered in the negative by the District Court in the instant case and in the affirmative by the Circuit Court of Appeals for the Third Circuit. It was answered in the negative by the Circuit Court of Appeals for the Sixth Circuit in *Buckingham Products Co. v. McAleer Mfg. Co.*, 108 F. 2d 192. It has been variously answered by other federal courts. We believe that the rationale of the Formica case compels a negative answer.

SPECIFICATION OF ERRORS

The Circuit Court of Appeals for the Third Circuit erred:

- (1) In permitting the assignor-patentee, Marcalus, to use the state of the art to narrow the scope of his patent claims in support of the defense of non-infringement when the result of so doing was to narrow that scope to nought and so invalidate the patent.
- (2) In failing to understand that under the rule in the Formica case, an assignor-patentee's right to use the state of the art to construe and narrow his patent claims when sued for their infringement is conditioned upon his concession of their validity and circumscribed by his estoppel to use the state of the art to destroy the patent and defeat the grant; that the right of the assignee to exclude the assignor from the use of the patent assigned cannot be questioned even though as to the rest of the world the patent may have no efficacy and create no right of monopoly.
- (3) In reversing the judgment of the District Court and holding the respondent not to infringe.

SUMMARY OF ARGUMENT

This Court, in the Formica case, relaxed the theretofore strict rule of the Seventh Circuit that an assignor-pat-

entee, sued for infringement of his own assigned patent, was estopped to show the state of the art, not only for the purpose of invalidating the patent, but for the purpose of narrowing and construing its claims as well. The state of the art might be used for the latter purpose, said this Court, but only on condition that the validity of the claims be conceded. Most federal courts since that time have understood the Formica rule and correctly applied it, but some, including the Court of Appeals for the Third Circuit, have not.

The claims sued on in the Formica case had been added by the assignee after the assignment and covered more than the assignor had intended to claim. There was, you held, no estoppel as to those claims so that the assignor was free to prove their invalidity. This he did.

The District Court was right in strictly applying the Formica rule, refusing to permit Marcalus to rely on the prior art for the ostensible purpose of proving non-infringement by limiting the scope of the claims in suit when the effect of so doing would be to reduce the scope of those claims to nought and thus, by indirection, destroy them. The Court of Appeals mistakenly reversed because it failed to understand the Formica rule, failed to understand the true nature of estoppel by deed and misapprehended the public interest in the estoppel as applied to Marcalus.

ARGUMENT

THE FORMICA CASE

The doctrine of estoppel by deed is an ancient doctrine having its genesis in the law of real property and long antedating our patent laws. But the applicability of the doctrine to the assignment of patent property has been recognized in this country for many years and was well

stated by Mr. Chief Justice Taft in the Formica case:

"The analogy between estoppel in conveyances of land and estoppel in assignments of a patent right is clear. If one lawfully conveys to another a patented right to exclude the public from the making, using and vending of an invention, fair dealing should prevent him from derogating from the title he has assigned, just as it estops a grantor of a deed of land from impeaching the effect of his solemn act as against his grantees. The grantor purports to convey the right to exclude others, in the one instance, from a defined tract of land, and in the other, from a described and limited field of the useful arts. The difference between the two cases is only the practical one of fixing exactly what is the subject matter conveyed. A tract of land is easily determined by survey. Not so the scope of a patent right for an invention." (350).

The practical difficulty of fixing exactly the subject matter conveyed when that subject matter is a patented invention had given rise to two contradictory rules: one, that the state of the art *might* be considered to determine the scope of the patent, conceding its validity; the other, that the state of the art *might not* be considered for that purpose. The first rule was applied by the federal courts generally and well stated by the Circuit Court of Appeals for the Sixth Circuit in *Noonan v. Chester Park Athletic Co.*, 99 Fed. 90, 91; the second was peculiar to the Circuit Court of Appeals for the Seventh Circuit and well stated by that Court in *Siemens-Halske Electric Co. v. Duncan Electric Co.*, 142 Fed. 157, 159. The resulting conflict was resolved by this Court in the Formica case:

"We think, however, that the better rule, in view of the peculiar character of patent property, is that the state of the art may be considered. Otherwise the most satisfactory means of measuring the extent of the grant the Government intended and which the assignor assigned would be denied to the court reaching a just conclusion." (350).

But then the Court added—and this is the gist of the decision:

"Of course, the state of the art can not be used to destroy the patent and defeat the grant, because the assignor is estopped to do this. But the state of the art may be used to construe and narrow the claims of the patent, conceding their validity. The distinction may be a nice one but seems to be workable." (351).

Thus the more liberal practice of the Sixth Circuit was given preferment over the stricter practice of the Seventh, *but* the fundamental rule itself was left undisturbed:

"In view of the usual finality of patent decisions in the Circuit Courts of Appeal, this Court will not now lightly disturb a rule well settled by forty-five years of judicial consideration and conclusion in those courts." (349).

This Court did not, we believe, intend that liberality in application should prove the rule's undoing—that the exception should oust the rule.

Parenthetically it may be noted that the courts have not expressly distinguished between an assignor's estoppel to contest the validity of his assigned patent and a patent licensee's estoppel to contest the validity of the patent under which he is licensed. Although a good case might be made out for a stricter application of the rule to the assignor than to the licensee, it is not necessary to make a point of it here except to note that those cases in which the restraining influence of the estoppel has been relaxed the most have been cases in which a licensee's estoppel has been involved. That is, until the instant decision.

Although this Court took the opportunity presented by the Formica case to resolve the conflict between the Seventh Circuit and the others and to reaffirm the doctrine of estoppel by deed to the assignment of patent prop-

erty—thus formulating the so-called Formica rule—the question presented by the facts of that case was much narrower. One O'Conor, while in the employ of the Westinghouse Company, had made an invention in a process for making electric insulation for which he applied for a patent through the company's legal department, assigning the application to his employer as he had agreed to do in consideration of his employment. The process of the invention comprised two steps: (1) heating paper coated with bakelite at steam heat under high pressure, and then, after an interval of cooling, (2) baking the impregnated paper at high heat under low pressure. The novelty in the process lay in the second step, the first having been old. After the application had been filed, but before the patent issued, O'Conor left the employ of the Westinghouse Company. Thereafter the company's attorneys, without O'Conor's knowledge, submitted, by amendment, two claims directed to the single-step of applying heat and pressure (Claims 11 and 12) and obtained their allowance—by what persuasion we do not know.

Subsequent to leaving the company, O'Conor, with others, organized the Formica Company, which, in the course of time, began making insulating material by the single step process constituting the first step of the two-step process for which O'Conor had applied for patent. Several years later the Formica Company was sued for infringement of the broad single-step claims (11 and 12), which were unquestionably infringed. It pleaded laches and invalidity. The plaintiff contended that both O'Conor and his privy, the company, were estopped to contest the validity of the claims in suit. The District Court sustained the defense of laches, and dismissed the bill; it did not pass upon the question of estoppel. The Circuit Court of Appeals for the Sixth Circuit found no merit in the laches defense, but—to quote from this Court's

Statement of the Case (345)

"Coming to consider the defense of estoppel, the Court held that on the facts no estoppel arose as to the claims sued on, and, proceeding then to the merits, found that claims 11 and 12 were invalid for lack of invention."

No estoppel arose as to claims 11 and 12 because O'Conor had never made or sworn to those claims. They were broader than his asserted invention. They were not part of the application assigned. (The Marcalus application, on the contrary, was allowed as filed—Findings of Fact, Rec. p. 2. The claims in suit were precisely the claims originally made and sworn to by Marcalus. They cover the essence of his asserted invention. They were part and parcel of the property assigned.)

This Court affirmed the decree of the Court of Appeals holding the claims in suit invalid for lack of invention (355). On the narrower issue, therefore, the law of the Formica case is simply this: the rule of estoppel by deed to the assignment of patent property does not extend to claims added by the assignee after the assignment and including more than the assignor intended to claim.

It is true that this Court purported to read the unexpressed second step of the process into claims 11 and 12, and it is further true that when so limited the claims were not infringed. There was, however, no *holding* of non-infringement, and any intimation to that effect that may be gleaned from the opinion must be considered *obiter dictum*. What you decided—if we may presume to say so—was that the claims in suit were invalid in view of the state of the art and that the defendants were not estopped to prove it (354, 355). For if a patent assignor, plainly infringing claims whose validity he is estopped to deny, but which are, nevertheless, anticipated, may escape liability by conveniently reading into those claims limitations just sufficient to restore their validity while leaving

them too narrow to be infringed, then surely the doctrine of estoppel, as applied to the assignment of patent property, has been effectively destroyed. We cannot believe this Court intended that result in the very case which so carefully reaffirmed the doctrine.

How THE LOWER FEDERAL COURTS HAVE CONSTRUED THE FORMICA RULE

Since 1924, when the Formica case was decided, no assignor of a patent, sued for its infringement, has been denied the privilege of supporting a defense of non-infringement by showing the state of the art and thus narrowing and construing the claims of his assigned patent. The courts have generally, however, required as the price of that privilege a concession of validity from the assignor-defendant and have inclined toward liberality in construing his claims.

In *Frank Associates, Inc. v. Columbia Narrow Fabric Co.* (D. C. S. D. N. Y.), 33 F. Supp. 279, Judge Knox, faced with a situation analogous to the one here, said—after citing the Formica decision:

“But, though it be that the assignor of a patent may, by proof of prior art, limit the scope of its claims, and thus, successfully, deny their infringement, he is estopped from claiming the invalidity of the patent. It is true, also, that as between an assignor and his assignee, ‘the courts will give a liberal, rather than a narrow, construction to the patent assigned.’ * * *

“Following this rule of law, and, bearing in mind the defendant is estopped to deny the validity of the patent, I do not see how it can avoid a decree of infringement. A limitation of the claims which would exonerate defendant would be tantamount to a decree that the claims are invalid.” (282-283).

He then held the claims valid and infringed.

In *West v. Premier Register Table Co.*, 27 F. 2d 653, an infringement suit against an assignor-patentee, the

Circuit Court of Appeals for the First Circuit said:

"Observing the rule laid down in Westinghouse Electric & Mfg. Co. v. Formica Insulation Co., *supra*, that the prior art may be shown to determine the scope of the patent as against an assignor but not to destroy the grant, it discloses nothing to limit or narrow the scope of the patent." (656).

and held the claims in suit valid and infringed. But in a separate concurring opinion Judge Lowell said:

"I agree with the conclusion of the majority of the court. The assignor of a patent may not assert its invalidity. All that the patentees did was to adopt for use in a printer's table an alining bar, which was old in the analogous art of drawing boards. Bergner United States patent No. 195,915, October 9, 1877. This in my opinion, did not involve invention." (656).

Perhaps the most outspoken of all the courts in holding the assignor's right of limitation within decent bounds has been the Circuit Court of Appeals for the Sixth Circuit in the Buckingham decision, 108 F. 2d 192, which the Court of Appeals for the Third Circuit expressly refused to follow in the instant case. There the state of the art, proven by a stranger, would admittedly have invalidated the patent in suit—the anticipation was complete. That case was perhaps stronger for the defendant than the instant case, because there it appeared that the assignee had actually known of an anticipating prior use before the patent in suit had been filed or assigned and intimations of fraud were not lacking. But the Court of Appeals refused to permit the assignor-defendant to use the state of the art to destroy the patent and defeat the grant. Nor would the Court permit the defendant to escape infringement by reading unexpressed limitations into the claims.

"Neither he [the assignor] nor those in privity with him may now be heard to say that his invention is

narrower than what is plainly indicated by the claims, and so escape the charge of infringement under the rule of the Formica case." (195).

Judge Smith, the District Judge who found for petitioner here, correctly applied the rule of the Formica case. He saw, just as his Court of Appeals saw, that the Inman patent, offered by respondent for the ostensible purpose of narrowing and construing his claims, completely anticipated those claims. But he saw what his Court of Appeals apparently did not see: that Marcalus could not use Inman for the purpose of narrowing and construing his claims and at the same time concede their validity. The two were incompatible. He rightly concluded, therefore, as had Judge Knox under similar conditions in the Frank Associates case, that reliance upon Inman was tantamount to holding the patent in suit invalid, and as Marcalus was estopped to do that, excluded Inman from consideration. (The Court of Appeals, unhappily, failed to see that one cannot concede the validity of a claim whose scope has been reduced to nought.)

These then are courts that have correctly understood and properly applied the Formica rule. But there have been courts that have questioned that rule in cases where the state of the art seemed to reduce the scope of the assigned patent to minuscule proportions, and some that have expressed views which, taken on their face, would seem to repudiate the rule.

Judge Kirkpatrick, in *Timken-Detroit Axle Co. v. Alma Motor Co.*, (D. C. D. Del.) 47 F. Supp. 582, had this to say:

"If no limitation at all, by reference to the specification, be imposed upon this claim we reach the point where the distinction which the Court spoke of in the Formica case—that is, using the prior art to construe and narrow a claim without letting it affect its validity—remains nice but becomes unworkable. The situation is that of a claim, completely anticipated by the prior art." (588).

He then proceeded to read unexpressed limitations into the claim, which not only gave it validity, but haply left it infringed as well—a conclusion eminently satisfactory to the plaintiff-licensor. The point of the citation is the judge's comment that, in the presence of a complete anticipation, the nice but workable distinction observed by this Court in the Formica case "remains nice but becomes unworkable". It becomes unworkable only when, as in the instant case, the anticipation is allowed to defeat the estoppel. As long as the assignor or licensee is required to concede the validity of the claim, the distinction remains workable—and nice enough.

An odd misinterpretation of the Formica rule is found in *Dwight & Lloyd Sintering Co., Inc., v. American Ore Reclamation Co.*, (D. S. S. D. N. Y.) 44 F. Supp. 401. There Judge Bondy, after repeatedly affirming the estoppel rule, said this:

"Were it not for the estoppel to deny user, the court would find with reference to patents 1,433,349 and 1,433,351 that the devices used by defendant's sub-licensees alleged by plaintiff to have used these patents are substantially the same as the device disclosed by patent 916,393, which was part of the prior art relied on by defendant. The claims of patents 1,433,349 and 1,433,351 accordingly will not be interpreted to include the devices used by defendant's sub-licensees." (403).

Obviously, it gives a plaintiff little comfort to refrain from invalidating his patents while interpreting them so as to leave them not infringed. Judge Bondy having reached his conclusion by intuition, proceeded to organize his premises *a posteriori*.

But it remained for the Court of Appeals for the Seventh Circuit, in pre-Formica days the staunchest champion of the estopped doctrine, to give it the unkindest cut of all. In *Casco Products Corporation v. Sinko Tool &*

Mfg. Co., 116 F. 2d 119, that Court, after referring to the Formica rule and quoting from the Noonan decision, 99 Fed. 90, had this to say:

"Perhaps we should hesitate to enlarge upon this. Despite some trepidation, however, we assert the corollary rule to be that defendant is estopped to assert that patents under which it is licensed merely follow the teaching of the prior art, for to do so would invalidate that which it has covenanted is valid; but that, by the same token, defendant is not estopped to prove that its devices are built wholly according to the teaching of the prior art and that everything necessary to their conception and construction was taught by such art, for such proof clearly negatives infringement. In other words if everything in defendant's construction was taught by the prior art and nothing included therein other than the application of such art, plus ordinary mechanical skill, then the mere fact that the device constructed reads upon the claims of patents, the validity of which it is estopped to deny, does not spell infringement." (121).

If it be argued that this case involved a licensee's estoppel, not an assignor's, and that a different result would and should have been reached had an assignor been sued, we can only answer ruefully that the Court of Appeals for the Third Circuit perceived no such distinction and used the reasoning of the Casco decision to vitiate an assignor's estoppel in the instant case.

THE OPINION OF THE COURT OF APPEALS

Applying the rule of the Formica case to the facts before him, District Judge Smith properly held that Inman was not available to Marcalus for any purpose. He was right, of course; and although the Court of Appeals reversed him, one gets the impression that the judges of that court were not happy in their decision, nor alto-

gether convinced that they were right. In any event the arguments with which they sought to justify their conclusions are demonstrably specious. We shall examine them briefly.

In the first place the Court of Appeals did not understand the Formica rule. After restating the facts before this Court in that case, and noting Mr. Chief Justice Taft's comments on claims 11 and 12, the Court of Appeals concluded:

"The Supreme Court held that since claims 11 and 12, so limited, were for a two-step process, O'Conor did not infringe the claims since he used a one-step process" (Rec. p. 27).

But as we have demonstrated earlier in this brief, this Court made no such holding. You did not hold that O'Conor had not infringed; you held that claims 11 and 12 were invalid and that O'Conor was not estopped to show it. It so happened that on the facts of the Formica case it made no practical difference whether limitations were read into the claims to save them but leave them uninfringed, or whether, the estoppel denied, the claims were proved to be invalid. But it makes a lot of difference here because there are no limitations that can be read into Marcalus' claims to save them. As the Court of Appeals correctly held, "the accused machine, that of Inman and that of the Marcalus patent are as alike as peas in a pod". A one-step process and a two-step process are not so alike.

The analogy between property in land and in ideas, although useful, must not be pushed too far. The Court of Appeals in support of its conclusions wrote:

"If an individual purported to convey a public park to a stranger, the grantee could not exclude the grantor from the premises." (Rec. p. 32).

Why not? The Court asserted this as a truism, but justice might well decree otherwise. If the Court is right, it is not because any fundamental principle of equity dictates the result, but because considerations of expediency may make it impracticable to exclude from a public park any member of the public suffered to roam at large. There is the further consideration that the exercise of the most elementary precautions would have saved our foolish stranger from the consequences of his folly: his wily grantor had at no time even colorable title to the property conveyed. In contrast, the patentee of a duly issued patent not only has good title to it—the patent is indubitably valid until some court has held it *invalid*. (The same reasoning is applicable, *mutatis mutandis*, to a duly filed patent application.)

The Court of Appeals found the public interest best served by relieving Marcalus of the estoppel, reasoning that if Marcalus were required to pay plaintiff a royalty, that royalty would be passed on to the public, which would, therefore, have to pay a higher price for the products of Marcalus' machine than otherwise, notwithstanding the patent on the machine be invalid (Rec. p. 32). To this there are two answers: (1) Marcalus would never be given the privilege of paying a royalty; he would be summarily enjoined. (2) If Marcalus, to prevent diminution of his profits, should attempt to pass on to the public the royalty which the Court assumes he would be allowed to pay, he would have to raise the price of his waxed paper packages; whereupon the public would cease to buy his wares, patronizing instead his competitors, all of whom would be free to use the same machine without paying a penny-worth of royalty to anybody. Thus the public would be none the poorer; only Mr. Marcalus. And the same happy result would be reached should he absorb the royalty. It is difficult to see how it could be otherwise in a free economy. Thus the Court of Appeals would confer

no benefit on the public, but would certainly pay Marcalus a handsome and unearned dividend on his double-dealing.

The Court concluded by denying petitioner's right to assert the estoppel against Marcalus because of lack of mutuality (Rec. p. 33). Petitioner, the Court averred, was chargeable with knowledge of the Inman patent at the time Marcalus assigned his application; hence knew it was getting an invalid patent and cannot complain that it was cheated! Petitioner is thus charged with being an accessory to its own spoliation, which is certainly giving *caveat emptor* a new and fantastic twist. It hath been said by them of old' time: Surely in vain is the net set in the sight of any bird, but the Court of Appeals in its wisdom, thinks otherwise. Furthermore, if petitioner was chargeable with knowledge of Inman, then Marcalus was equally chargeable—with shocking implications. For to hold petitioner chargeable with this knowledge makes of its management a parcel of dolts, but to hold likewise with respect to Marcalus makes of him a thief and knave who first perjured himself by falsely swearing to Inman's invention and then gulled his generous if simple-minded employer by selling it to him. And what is worse, he is now permitted to enjoy at leisure the ill-gotten fruits of his duplicity. Never was confidence man more considerately treated! We have deplored Marcalus' undeveloped sense of punctilio, but we have never charged him with deliberate fraud.

CONCLUSION

Respondent's counsel in argument and brief before the Court of Appeals urged that court to do away with the doctrine of estoppel by deed to the assignment of patent property on the ground that it was contrary to public policy. The disclosures of expired patents—so the argument ran—are within the public domain and to exclude anyone, even this respondent, from full and free enjoy-

ment of them would be to deprive the public of rights that it had bought and paid for—an egregious and shocking injustice. This, said counsel, is a fundamental principle of our patent system. (But petitioner bought and paid for rights too. What of them?) The Court of Appeals accepted the argument, finding "cogent reasons *** why the doctrine of estoppel by deed should be held to be inapplicable in the instant circumstances", and dragged in old *Pro Bono Publico* (Rec. p. 32). But the public is being deprived of no rights when Marcalus is enjoined from infringing his own assigned patent; only Marcalus is being deprived—which seems right and just.

"As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use." (349).

There is a public interest involved, to be sure, but that interest were better served by promoting fair dealing among men than by quixotically upholding "a fundamental principle of our patent system" which is not in jeopardy anyway. The principle is sound enough; this respondent is simply estopped to invoke it. The Court of Appeals in its zeal to protect an imaginary public interest has failed to do justice to the aggrieved suitor at its bar.

We believe that the Formica rule is sound and should be reaffirmed. The essence of that rule is that an assignor of a patent, when sued for its infringement, is estopped by considerations of fair dealing to question its validity. He may plead that he does not infringe and may introduce limiting prior art in support of that defense, but he must concede the validity of the claims he has assigned. His use of the prior art is conditioned upon that concession. "Of course, the state of the art can not be used to destroy the patent and defeat the

grant; because the assignor is estopped to do this", said Mr. Chief Justice Taft. And a claim whose scope has been limited to nought has been destroyed and its grant defeated as surely as though it had been adjudged invalid. Such a claim is invalid. It follows that the District Court was right and the Court of Appeals was wrong. The Inman patent, pleaded by any other defendant would invalidate the claims in suit. It may not, therefore, be pleaded by Marcalus.

Infringement in the ordinary sense being undeniable and validity not being in issue, the judgment of the Court of Appeals should be reversed and that of the District Court affirmed.

Respectfully submitted,

GEORGE E. MIDDLETON,
Counsel for petitioner.

September 14, 1945.

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CHARLES ELMORE GROPP
CLERK

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1945

No. 54

SCOTT PAPER COMPANY,
Petitioner

vs.

MARCALUS MANUFACTURING COMPANY, INC.,
and NICHOLAS MARCALUS

REPLY BRIEF FOR PETITIONER

GEORGE E. MIDDLETON
Counsel for Petitioner

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REPLY BRIEF FOR PETITIONER

RESPONDENT'S POINT I.

RESPONDENT insists on page 4 of his brief, and again on page 11 and elsewhere, that "At no time did respondent either attack or question the validity of his patent". Not in so many words, no. But if his defense reduces the scope of his patent to nought, as the Court of Appeals held, then the effect is the same as though he *had* attacked its validity. Respondent is playing with words. His argument lacks substance.

On pages 4 and 5 of his brief respondent criticises the District Court who found that the prior Inman patent negatives infringement (Rec. p. 6) yet "reached the rather illogical conclusion that the patent in suit was both valid and infringed". But the Court did not hold the patent valid; he simply held respondent estopped to deny its validity (Rec. p. 8). As for concluding that the patent was infringed, there was nothing illogical in that. Here again respondent is being confused by words. When Judge Smith said that the Inman patent "negatives infringement" he did not mean that the claims of the patent do not read fairly, even literally, on the accused machine, because he had just demonstrated that they do (Rec. p. 3). What he obviously meant was that in the hands of any *other* defendant the Inman patent would negative infringement because it would invalidate the infringed claims, and one cannot, in a strict legal sense, infringe an invalid claim. Respondent's difficulty arises from the fact that "infringement" may mean two different things: first, a fair reading of the claims on the accused device without regard for their validity; and second, the violation of a legal right bottomed on a valid claim. Once

this dual meaning of "infringement" is made plain, Judge Smith's conclusion is seen to be clearly logical.

On page 11 of our main brief we alluded to the fact that this Court had purported to read the second-step limitation into the one-step claims of the Formica case, pointing out that this was merely by the way; that the defendant was actually held not estopped to attack the validity of those claims added after the assignment—and in point of fact he did so with complete success. Any other interpretation of the decision, we said, would deny the very doctrine elsewhere so clearly affirmed. Respondent has, nevertheless, seized upon this incidental feature of the case and made it the cornerstone of his argument. Some limitation, he insists on page 9 of his brief, *must* be read into the claims in suit *ex post facto* so that they shall not be infringed and retain a precarious validity with respect to Inman. Respondent is one of those mistaken persons chided by this Court in *White v. Dunbar*, 119 U. S. 47, 51:

"Some persons seem to suppose that a claim in a patent is like a nose of wax which may be turned and twisted in any direction, by merely referring to the specification, so as to make it include something more than, or something different from, what its words express. The context may, undoubtedly, be resorted to, and often is resorted to, for the purpose of better understanding the meaning of the claim; but not for the purpose of changing it, and making it different from what it is. The claim is a statutory requirement, prescribed for the very purpose of making the patentee define precisely what his invention is; and it is unjust to the public, as well as an evasion of the law, to construe it in a manner different from the plain import of its terms. This has been so often expressed in the opinions of this court that it is unnecessary to pursue the subject further."

That the claims in suit are infringed when construed according to the plain import of their terms, is too clear

for argument and is not denied by respondent, who seeks eagerly for trivial limitations wherewith to vary that plain import.

Thus respondent enlarges the small differences between the accused machine and the machine of the Marcalus patent while belittling those between the accused machine and Inman. There are some trivial but unclaimed differences, it is true, between Marcalus' machine and the machine of his patent, but there are also differences of the same magnitude between the accused machine and Inman. The Court of Appeals found all three "as alike as peas in a pod" (Rec. p. 31), and so they are for all ordinary purposes. The differences which respondent notes on page 10 of his brief are refinements in Marcalus' basic combination, not covered by the claims in suit, but by others not in suit. It is well settled that each claim of a patent defines an independent invention—and each was assigned. *Leeds & Carlton v. Victor Talking Mach. Co.*, 213 U. S. 301, 319; *Altoona Theatres v. Tri-Ergon Corp.*, 294 U. S. 477, 487. Furthermore "• • • it is a settled rule of construction that the limitations of particular claims cannot be read into other claims for the purpose of avoiding infringement". *Electric Machinery Mfg. Co. v. General Electric Co.*, 88 F. 2d 11, 16, C. C. A. 2nd. See also *Bresnahan v. Tripp Giant Leveller Co.*, 102 Fed. 899, 900, C. C. A. 1st.

Respondent after conceding the "very minor" nature of the differences between the machine of the Marcalus patent and the accused machine, declares on page 11 of his brief:

"We are in no sense concerned with the extent of the difference, or whether or not there is a patentable difference between them. We are concerned only with the fact that there is a difference."

Whatever became of the old maxim *de minimis non curat lex* we wonder! It is into absurdities such as this that respondent's theory of the Formica case would lead us.

Respondent, on page 12 of his brief, complains that our theory of the case would deny him a favorable judgment "because his defense was too well established"; that had Inman proved to be less than a complete anticipation respondent had been better off. This is plausible but specious. Had respondent taken something less than the whole of his assigned invention, as defined by the claims in suit, construed according to the plain import of their terms, then he might, on showing so much to be old, argue that the claims were of limited scope and therefore not infringed. But as he has taken all, then the limiting prior art must disclose all, and when it does that it becomes anticipating prior art and may not be used by him. "The distinction may be a nice one but seems to be workable", said this Court.

On page 13 of his brief respondent writes, accusingly:

"petitioner seeks to place respondent in a sphere by himself—to isolate him from the rest of the world and deprive him of the status of a member of the 'public'—and all because he was the assignor of the patent. The argument is now reduced to the unqualified *assertion* that the patent in suit is *invalid* as against everyone else in the world, but it must be sustained as valid and infringed as against respondent. Of course, such an argument ignores, for want of answer thereto, the controlling language of *Westinghouse v. Formica*, supra, at page 351. • • •"

But it is respondent who ignores, for want of answer thereto, the controlling language of the Formica case at page 349:

"As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use."

RESPONDENT'S POINT II.

In the latter part of his brief respondent, essaying the role of *amicus humani generis*, elaborates the thesis defended in the court below that the whole doctrine of estoppel by deed as applied to the assignment of patent property should be abolished as contrary to public policy.

"Anything, regardless of its guise," declares respondent on page 15, "which, without statutory sanction, lessens or eliminates competition, or restrains trade, is adverse to the public interest. Thus, in the present case the mere fact that respondent assigned his patent to petitioner is not and cannot be made to be proper justification for depriving the public of the benefits that flow—and by the patent law were intended to flow—from the expiration of the Inman patent".

Respondent could argue with equal persuasiveness that contracts should never be enforced because to do so inevitably restrains somebody's trade and thus deprives the public of some possible benefits. "Free competition and unrestrained trade" may be, as respondent avers, "basic axioms of our National philosophy and economy", but the reasonable restraints imposed by an orderly society have pretty generally been accepted as preferable to anarchy. Besides, how can enforcing the estoppel against respondent deprive the public of the benefits that flow from the expiration of the Inman patent?

Respondent disparages the analogy between real property and a patent grant. This Court in the Formica case found the analogy useful, but respondent will have none of it. He writes, on page 17 of his brief:

"The only warranty of the assignment is, as in a conveyance of land, as to the *title*—the ownership—of that which is conveyed. Therefore, there appears to be neither legal nor logical justification to stretch an implied warranty as to *title* to a patent to include the *validity* thereof".

The complete answer to this criticism of the estoppel doctrine as applied to patents will be found at page 350 of the *Formica* decision, quoted on page 8 of our main brief. It is quite true that Marcalus did not warrant the validity of the patent he assigned; but then he is not sued for breach of warranty—he is sued for trespass. Marcalus made no warranties as to others, but he himself covenanted to respect the validity of the right assigned; he even agreed to aid his assignee in enforcing a proper respect for it on the part of others.

Respondent views with alarm the increase, in recent years, of instances

"where an application for patent for one invention is filed, but for some unexplainable reason the patent issues years later describing or claiming a wholly different invention, and one, usually, which the applicant never made and never represented that he had made. Under such circumstances", respondent asks, "can there possibly be any logical or defensible ground for a doctrine which would estop the applicant-assignor from questioning or attacking the validity of such a patent?"

The answer to this resounding rhetorical question is a simple no; there is no logical or defensible ground for such a doctrine. But, happily, there is no such *doctrine*, or—to paraphrase a more famous rejoinder—there was none before respondent spoke. Respondent, for all his reading and quoting of *Westinghouse v. Formica*, seems to have missed the real point of that case. And what is more, this illogical and indefensible doctrine, which would extend the estoppel to inventions never made by the applicant-assignor, need not trouble us here—even had it not been repudiated by this Court twenty-one years ago. It need not trouble us here for the very good reason that the patent in suit "was allowed", as the Court of Appeals observed, "precisely as Marcalus had filed it" (Rec. p. 24): not an *i* was dotted, not a *t* was crossed.

after Marcalus had sworn to the application on which the patent was subsequently granted. The claims granted were the claims that Marcalus made, unaltered by so much as one jot or one tittle and without benefit of respondent's "psychic prognostication". We are not here concerned with some imaginary "wholly different invention" but with the identical invention Marcalus assigned, defined by the original and unexpurgated claims.

Sola Electric Co. v. Jefferson Electric Co., 317 U. S. 173, *Nachman Spring-Filled Corp. v. Kay Mfg. Co.*, 139 F. 2d, 781, and *Mercoid Corp. v. Mid-Continent Investment Co. et al.*, 320 U. S. 661, cited by respondent on pages 18 and 19 of his brief have nothing to do with the case, as his own syllabi make clear. Respondent postulates misuse of the patent in suit, then cites decisions condemning misuses. Respondent begs the question. No one denies that, "Courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest". But respondent must first find his misuse. There is no evidence of any here.

In the end, of course, the public interest is best served when justice is done between men; which brings us to Judge Bourquin's eloquent, if somewhat techy tribute to justice in the Lektophone case, quoted by respondent at the apogee of his peroration. Justice, said Bourquin, J. is more than doctrinal principles; it is the substance of which they are the shadows, sometimes distorted. The shadowy distortion of justice that had there moved the doughty judge to righteous protest was the rule of comity: "To change judgment out of mere comity is perversion of judicial function and defeat of justice", he said. But the rule of comity is not involved here, so whether its invocation defeats or furthers justice need not concern us. Besides, what has Marcalus to do with justice? Does justice require that he be allowed to in-

fringe his own patent, on his own invention, which he sold to petitioner at a price, promising to aid his assignee in enforcing rights under it? A strange sort of justice that. Of all people, Marcalus should be the last to infringe, the first to defend this patent. As in a more famous case, instructions which an inventor taught have returned to plague him.

"But in these cases
We still have judgement here; that we but teach
Bloody instructions, which, being taught, return
To plague the inventor: this even-handed justice
Commends the ingredients of our poison'd chalice
To our own lips. He's here in double trust;
First, as I am his kinsman and his subject,
Strong both against the deed; then, as his host,
Who should against his murderer shut the door,
Not bear the knife myself."

Macbeth: Act I, scene vii.

Respectfully submitted,

GEORGE E. MIDDLETON,
Counsel for Petitioner.

October 11, 1945.

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Supreme Court of the United States

October Term, 1944

No. 1097

54

AUTOMATIC PAPER MACHINERY COMPANY, INC.,
Petitioner,

vs.

MARCALUS MANUFACTURING COMPANY, Inc. and
NICHOLAS MARCALUS,
Respondents.

BRIEF FOR RESPONDENTS IN OPPOSITION TO
THE PETITION FOR WRIT OF CERTIORARI TO
THE CIRCUIT COURT OF APPEALS FOR THE
THIRD CIRCUIT.

SAMUEL E. DARBY, JR.,
Counsel for Respondents.

DONALD J. OVEROCKER,
Of Counsel.



Supreme Court of the United States

October Term, 1944

No. 1097

AUTOMATIC PAPER MACHINERY COMPANY, INC.,
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NICHOLAS MARCALUS,
Respondents.

BRIEF FOR RESPONDENTS IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT.

The petition in this case presents no ground warranting its grant.

This is a patent infringement suit. The patent involved (Marcalus 1,843,429) has received no other adjudication, consequently there is no diversity of opinion with respect thereto.

The facts of the case are succinctly stated by the Court of Appeals in its opinion (R. 32-34). In substance, the only material facts are that Marcalus, the patentee, years after the assignment of the patent to petitioner, and after having severed his relations with petitioner which he had jointly organized and of which he had been an officer, organized the respondent company to engage in the manufacture of an unpatented article of commerce and its sale in competition with petitioner. The economical production of that article of commerce required the use of a machine, one particular

type of which formed the subject matter of the patent, Marcalus went to the prior patented art and discovered Inman Patent No. 1,035,851 which *expired* on August 27, 1929—*four months prior to the application for the patent in suit*. Marcalus thereupon constructed a machine which was in fact and was found by the Court of Appeals to be a “Chinese copy” of the Inman machine (R. 34, 40). There were many structural as well as operational differences between the Inman machine and that of the Marcalus patent (see footnote 9 to the decision of the Court of Appeals, R. 40). Petitioner filed this suit alleging infringement of the Marcalus patent because of respondents’ use of the old Inman machine.

I.

In *Westinghouse v. Formica*, 226 U. S. 342; this Court enunciated the rule that the assignor of a patent, while estopped to attack validity when sued for infringement thereof, may utilize the prior art to limit the scope of the claims in support of the defense of non-infringement.

Invoking this rule, respondents denied infringement of the Marcalus patent on the ground they were using the machine of the Inman patent which had *expired* before the Marcalus patent had been applied for, and therefore, *without questioning validity*, respondents asserted that the prior Inman patent of necessity so limited the claims of the Marcalus patent that infringement thereof, under such circumstances, was impossible. The Court of Appeals below correctly so held.

II.

The petition rests its application on the assertion that there has been diversity of opinion in construing this Court’s decision in *Westinghouse v. Formica, supra*, citing an

alleged conflict between the decision of the Court of Appeals in the present case and the decision of the Sixth Circuit Court of Appeals in *Buckingham v. McAleer*, 108 F. (2d) 192. There is no such conflict as the petition implies. In the Sixth Circuit case the Court pointed out (at p. 195) that the "principal" argument advanced by the defendant there was that the patent was invalid because of the "fraud" of the patent owner in applying for and accepting a patent for an invention which the patent owner knew had been in public use by it for more than two years prior to the application for the patent—an outright attack on the *validity* of the patent by the assignor thereof. No such situation or attack on validity is involved in the present case. Moreover, on the face of the opinion in the Sixth Circuit case (at p. 193) that Court called attention to and differentiated from its "recent" decision in *Baldwin Rubber Co. v. Payne and Williams Co.*, 107 F. (2d) 350, where, on facts substantially the same as are here involved, the same Court applied and followed the rule of *Westinghouse v. Formica*, *supra*, in exactly the same way as has the Third Circuit Court of Appeals in the present case. It is believed to be obvious, therefore, that there is no diversity of opinion by Circuit Courts of Appeals on the question here presented.

III.

Finally, the fallacy of the theory upon which the petition is based is believed to be made entirely clear by the statement of "The Question Presented" (p. 6), as well as by the statement of "Reasons For Granting The Writ" (p. 7). While accepting, as it must, the *Westinghouse v. Formica* doctrine that the assignor of a patent, when sued thereon, may utilize the prior art to narrow the scope of the claims in support of the defense of non-infringement, apparently it is the position of petitioner that the closer the prior art

approximates the invention of the patent the less effective becomes the prior art in narrowing the scope of the patent. In other words, apparently petitioner is obsessed with the illogical and unrealistic idea that the *less* a patentee contributes to the sum of human knowledge the better position the patent owner is in to *broadly* sustain and enforce the patent.

Truly, any such proposition is far afield from what respondents understand to be required to be presented to this Court to warrant the grant of a writ of certiorari.

* IV.

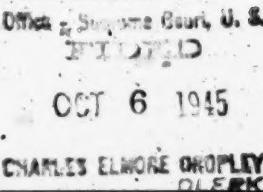
The petition should be denied.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Respondents.

DONALD J. OVEROCKER,
Of Counsel.

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Supreme Court of the United States

October Term, 1945

No. 54

SCOTT PAPER COMPANY,

Petitioner,

vs.

MARCALUS MANUFACTURING COMPANY, INC.,
and NICHOLAS MARCALUS,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT
COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF FOR RESPONDENTS.

SAMUEL E. DARBY, JR.,
Counsel for Respondents.

DONALD J. OVEROCKER,
Of Counsel.

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Supreme Court of the United States

October Term, 1945

No. 54

SCOTT PAPER COMPANY,

Petitioner,

v.s.

MARCALUS MANUFACTURING COMPANY, INC.

and NICHOLAS MARCALUS,

Respondents.

BRIEF FOR RESPONDENTS.

Opinions of the Courts Below.

The opinion of the District Court for the District of New Jersey appears on page 1 of the record, and is reported in 54 F. Supp. at page 105.

The opinion of the Circuit Court of Appeals for the Third Circuit appears on page 23 of the record, and is reported in 147 F. (2d) at page 608.

Statement of the Case.

None of the facts of the case is in dispute, and they are correctly stated at length, without criticism by petitioner, in the opinion of the Court of Appeals on pages 24-26, inclusive of the record. Because the "Statement of the Case" in petitioner's brief is mixed with argument so as to

form an argumentative basis for the "question" presented on page 5 thereof (which question, as worded, is *not*, in fact, presented by this cause), it is deemed desirable to tersely state the undisputed facts material to the simple, single question actually before the Court.

1. Respondent believed he had made an invention in a machine for manufacturing an unpatented commodity.¹

2. Respondent made application for patent for the machine he had invented, which application was filed on December 4, 1930; and at the same time respondent assigned the invention, application for patent, and patent, if and when granted, to the petitioner company of which he was joint owner.²

3. Around December 1931, because of unpleasantness which had arisen between them, respondent severed his connections with petitioner and organized his own company to engage in the manufacture and sale of the unpatented commodity. There was no agreement of any kind or nature whatsoever, expressed or implied, that respondent would not compete with petitioner in the manufacture and sale of the unpatented commodity, and at no time in this case has there been any question raised by petitioner as to the propriety of his so doing (see Footnote 3 in the opinion of the Court of Appeals below at page 25 of the record).

4. Needing a machine for the purpose of manufacturing the unpatented commodity, respondent went to the prior art as exemplified by patents which had expired and were

¹ For the purposes of this case the respondents will be regarded as one.

² Throughout this brief by reference to "petitioner" is meant Automatic Paper Machinery Company, Inc. for whom Scott Paper Company has been substituted by reason of acquisition of title to the patent subsequent to the grant of writ of certiorari by this Court.

free for use by everyone. As a result, he found Inman Patent No. 1,063,851, granted August 27, 1912 (R. 18). This patent had *expired* on August 27, 1929—*more than three months before respondent's invention of and application for the patent in suit*, which, as above stated, was made on December 4, 1930.⁸

5. Respondent thereupon constructed a machine which was an exact copy of that of the expired Inman patent, and proceeded therewith to manufacture and sell the unpatented commodity in competition with petitioner. The complete identity of respondent's machine with that of the Inman patent is not disputed; and the Court of Appeals below in its opinion correctly described respondent's accused machine as "a Chinese copy" of the machine of the Inman patent (R. 25, fol. 71; R. 31, fol. 77).

6. Petitioner thereupon instituted the present suit charging respondent with infringement of his patent which he had assigned to petitioner, by reason of respondent's use of the Inman machine. The complaint prayed for an injunction restraining respondent from continuing the use of the machine of the expired Inman patent, as well as for an accounting for the profits respondent had made because of the use thereof.

7. The case came on for hearing on application—joined in by counsel for both petitioner and respondent—for summary judgment on the undisputed facts; and here begins the departure from the "Statement of the Case" as recited by petitioner's brief.

8. It was agreed by everyone that the *only* issue before the Trial Court was "infringement"—i. e., whether or not,

⁸ No effort was made to carry the date of invention of the Marcalus patent in suit back of its filing date, viz.: December 4, 1930. Accordingly, that is the earliest date to which the patent is entitled for the making of the "invention" therein disclosed and claimed.

on the stated facts, the use of a machine, the patent for which had *expired* on August 27, 1929, could be held to infringe a patent the invention of and application for which was not made until *more than three months thereafter*, namely, on December 4, 1930. At no time did respondent either attack or question the validity of his patent.

Thus, the District Court in the last sentence of the opening paragraph of its opinion (R. 2) stated:

“The *only* issue raised in the pleadings of the respective parties is that of infringement”⁴.

and petitioner, in the concluding paragraph of its brief before this Court (p. 21) expressly states that the *validity* of the patent in suit is *not an issue in the case*.

9. Despite these undisputed facts, petitioner has framed its “Statement of the Case”, in effect (and on p. 3 of its brief almost by direct assertion), to imply that respondent, by means of the expired Inman patent, is really attacking the *validity* of the patent which he assigned. This is not the fact, as we have shown. The Inman patent was used by respondent under the rule of this Court as stated in *Westinghouse Electric & Mfg. Co. v. Formica*, 266 U. S. 342, solely for the purpose of establishing non-infringement—and it seems to be self evident and conclusive that there could be no infringement of respondent’s patent (the invention of and application for which was made on December 4, 1930) by the use of a machine *the patent for which had expired more than three months prior to that date*.

10. The District Court expressly found (R. 6, fol. 7) that the prior Inman patent “*negatives infringement*” of the patent in suit. However, the District Court refused to accord respondent a judgment of non-infringement in ac-

⁴ Emphasis ours throughout this brief.

cordance with his explicit finding to that effect because, in his personal view, the Inman patent not only *negated infringement* of the patent in suit but it *invalidated* it as well. Thus, although the issue of validity of the patent in suit was not before the Court, because the Court, on its own volition, passed upon that issue adversely to the patent and found that in addition to establishing non-infringement the prior Inman patent also anticipated and invalidated the patent in suit, the District Court reached the rather illogical conclusion that the patent in suit was both valid and infringed, and judgment to that effect was entered.

11. On appeal the Court of Appeals reversed and corrected the obvious and palpable error of the District Court on the ground of the rule announced by this Court in *Westinghouse v. Formica, supra*, as well as on the ground of public policy.

12. In consequence, the only question here presented is whether or not a patentee-assignor may utilize prior patented art to limit the scope of the claims of his patent when sued for infringement thereof, and prevent an interpretation of such claims which would include the art prior to his invention, and thereby cease to define his inventive contribution. This Court answered this question in the affirmative on December 8, 1924, in *Westinghouse v. Formica, supra*, so the present case merely involves a reapplication of the sound principle announced in that case.

Summary of Argument.

It is respondent's position in this Court that the judgment of the Court of Appeals below should be affirmed:

- (1) Because the doctrine of *Westinghouse v. Formica, supra*, is completely dispositive of the issue presented.

(2) Because of the public policy upon which the patent laws and the judicial administration of patents are based. And in this connection it is respectfully suggested that this Court might take the opportunity afforded by the consideration of this case to re-examine the question of whether or not, in the absence of fraud or misrepresentation, there should be allowed to be applied in patent cases an equitable doctrine which would estop the assignor of a patent to question the validity of the patent assigned, in the face of the public interest that the monopoly of a patent grant is justified only when the patent is valid.

POINT I.

The doctrine of *Westinghouse v. Formica* (266 U. S. 342) is dispositive of this case.

In that case this Court, speaking through Mr. Chief Justice TAFT, established the rule that a patentee-assignor, when sued for infringement of his patent which he had assigned, may invoke the prior art to narrow the scope and construction of the claims of the patent in support of the defense of non-infringement.

In consequence, and with entire propriety, respondent here invoked the expired Inman patent to limit the claims of the patent he had assigned to petitioner so that no claim of the patent issued on his application for patent filed December 4, 1930 could be infringed by the use of a machine which was "a Chinese copy" of a machine shown, described and claimed by a patent which had expired more than three months prior thereto.

In his Statement of the Case in *Westinghouse v. Formica* (266 U. S. 344), Mr. Chief Justice TAFT reproduced the two claims (claims 11 and 12) which were before the Court

with the charge by the assignee that they had been infringed by the patentee, O'Conor, subsequent to his assignment of the patent. These claims were for a process, and O'Conor was using what the Court referred to as a "one-step" or "single-step" process of the prior art. After holding that it was proper for O'Conor to utilize the prior art to limit the scope of the claims in support of the defense of non-infringement, and after considering the prior art, this Court said (at p. 354) :

"There was indeed nothing new in O'Conor's invention but the two steps of pressure and heat, cooling and baking".

It will be noted that neither claim 11 nor claim 12 recited this two-step process of (1) pressure and heating, and (2) cooling and baking. Notwithstanding this fact, however, this Court said (at p. 354) :

"In view of the art, however, it is very clear that the 11th and 12th claims *must* be read to include as an *essential* element of the combination therein claimed, the two step process. Without this, there was nothing *new* in them in the field to which they applied."

And thereafter the opinion (at p. 355) again commented with respect to those claims that:

" * * * the state of the art *must* limit them."

Thus it will be seen that although the claims *literally* read upon O'Conor's operations, to preserve their validity over the prior art this Court was compelled to read thereinto—and *did* read thereinto—a limitation not appearing therein; and, as thus limited, the claims were not infringed by O'Conor.

The situation presented by the facts of the present case is identical with that of *Westinghouse v. Formica* in all ma-

terial respects. In that case O'Conor's claims 11 and 12, not being expressly limited to the two-step process—the only contribution by the patentee—read literally upon O'Conor's use of the prior art one-step process. Here, the claims of respondent's patent sued on—not being expressly limited to the patentee's contribution—read literally upon the prior art machine of the Inman patent. Therefore, and as above stated, to preserve the validity of O'Conor's claims over the prior art this Court was compelled to read thereinto—and did read thereinto—elements not appearing therein. In so doing this Court did not establish new principles affecting judicial interpretation of patent claims, nor depart from principles theretofore long recognized. In *Westinghouse v. Boyden Power Brake Co.*, 170 U. S. 536 this Court stated (at p. 568):

"But even if it be conceded that the Boyden device corresponds with the letter of the Westinghouse claims, that does not settle conclusively the question of infringement. We have repeatedly held that a charge of infringement is sometimes made out, though the letter of the claims be avoided (cases cited). The converse is equally true. The patentee may bring the defendant within the letter of his claims, but if the latter has so far changed the principle of a device that the claims of a patent, literally construed, have ceased to represent his actual invention, he is as little subject to be adjudged an infringer as one who has violated the letter of a statute has to be convicted when he has done nothing in conflict with its spirit and intent."

More recently, the Second Circuit Court of Appeals tersely stated the same principle in *Tostevin-Cottie Manufacturing Co. v. V. M. Ettinger*, 254 F. 434 in the following language (at p. 435):

"If a claim cannot be read on a defendant's device, there can be no infringement; but if it can be so read, infringement is suggested, not proved. The prior art, as well as the disclosure, must still be studied."

Of course, petitioner is fully aware of the fact that *literal* application of the claims to the alleged infringement is not the legal test of infringement. That is why, in its brief, it is driven to resort to coupling its use of the term "infringement" with the words "*in the ordinary sense*" (*e.g.* pp. 3 and 21)—thereby meaning mere *literal* application of the claims, and deliberately ignoring, as it must, the long established and universally accepted law, instances of which have been given above, that this is *not* the *legal* test of infringement.

From these considerations it is obvious that when the validity of a patent claim is not susceptible to attack because of estoppel, *if* it is proper—*when necessary*—to read into the claim some limitation not appearing therein to distinguish it from the prior art, *a fortiori*, it is proper and necessary to read into the claims of the patent here in suit some limitation which will distinguish them from the expired Inman patent and from respondent's machine copied therefrom.

Both the District Court and the Court of Appeals recognized that the machine of the patent in suit differed from that of the Inman patent used by respondent, in *some* respects. Thus, the District Court found that the machine of the Inman patent as used by defendant differed from the patent in suit in the "arrangement of its structural elements" (R. 4, fol. 5). That, then, in the language of this Court in *Westinghouse v. Formica, supra*, is what was "new" in the patent in suit. That, then, is the limitation that must be read into each of the claims of the patent in suit to enable them to be distinguished from the prior art

so as to preserve their doctrinal validity; and that, then, completely frees respondent from the charge of infringement.

While that difference alone is sufficient for the purposes of this case, a mere comparison of the Marcalus and Inman patents (R. 10d and 18c) shows that the differences between them are radical and many. For example, the pressing and cutting dies of Marcalus, as well as their cooperating anvils, are supported by springs. This enables the cutting edge to be applied and glued to the box *before* the cut edge is severed from its roll. This is a double action, or two-step operation. Nothing of this sort is utilized in the Inman machine of respondent which is a single action machine—the gluing and severance of the cutting edge being effected in one operation. Again, the machine of the Marcalus patent applies the glue in *spots* on the *upper* surface of the non-metallic material, whereas in respondent's machine of the Inman patent the glue is applied *continuously* to the *bottom* surface of the non-metallic material. Additionally, the fibrous material is applied to the cutting and pressing anvil *beneath* the box blank in the Marcalus patent, whereas in the respondent's machine of the Inman patent the non-metallic material is applied *above* the box blank. Indeed, so different are the two machines *structurally* that claims 5, 6, 9, 10 and 11 of the Marcalus patent are not even charged to be infringed. A mere reading of those claims shows that they are addressed to features wholly and concededly absent in respondent's Inman machine; and the *structures* necessary for those features are present in the machine of the Marcalus patent, but are absent from defendant's Inman machine.

The Court of Appeals recognized that there were these differences between the two machines (R. 31, fol. 77—see particularly footnote 9). However, that Court regarded

these differences as "very minor". That undoubtedly is true in the *patentable* sense, but the sole consequence thereof is to show how little, factually, was the contribution of the patent in suit over the prior art. It may well be that the contribution by the patent in suit is so minor in character that anyone, other than respondent, could successfully establish the utter invalidity of the Marcalus patent because of complete anticipation by Inman of every inventive thought disclosed. Respondent cannot do this, however, under the doctrine of the *Westinghouse v. Formica* case and, in consequence, and contrary to petitioner's repetitious assertions throughout its brief, respondent at no time has attacked or questioned the validity of the claims of his patent.

Therefore, on this aspect of the case, we are concerned only with the fact that there is some difference between the machine of the Marcalus patent in suit and that of the Inman patent used by respondent. We are in no sense concerned with the extent of the difference, or whether or not there is a *patentable* difference between them. We are concerned only with the fact that there is a difference. That fact was recognized by both of the Courts below, is undenied by petitioner, and can be conclusively established by a comparison of the patents for the two structures.

Thus, under the doctrine of *Westinghouse v. Formica*, *supra*, to preserve the validity of the claims of the Marcalus patent sued on they

"must be read to include as an essential element of the combination therein claimed" (266 U. S. at p. 354)

the difference between them—whatever it may be—so as to represent the patentee's "actual invention" or contribution over the Inman patent.

However and whatever be the approach, we advance the decision of this Court in *Westinghouse v. Formica*, as direct and absolute authority for the proposition that where, as here, respondent is utilizing the prior expired patented art—available to anyone—he may not be held to infringe a patent subsequently applied for even though he is the patentee or the assignor thereof; and that the Court below committed no error in believing itself duty bound to limit the claims of the patent to mean or include something *different from or in addition to* what was in the public realm because of the expiration of the Inman patent, even though by so doing the claims “must be limited to naught”, as it stated (R. 32, fol. 78). Any other conclusion would make a mockery of the patent laws as well as of the constitutional motive upon which they are based, “to promote the sciences and useful arts”.

The utter absurdity as well as the injustice of any other conclusion is also demonstrated by the implication of the District Court’s opinion, and finds repetitious assertion in petitioner’s brief, namely, that because of the estoppel doctrine respondent is not entitled to the benefit of a judgment in his favor because his defense was too well established. In other words, petitioner here represents that the Inman patent is a *complete anticipation* of the patent in suit. It says (brief, p. 21):

“The Inman patent, *pledged by any other defendant*, would invalidate the claims in suit.”

The plain implication is that if the Inman patent had disclosed *less* than complete anticipation it would have been proper, under the estoppel doctrine, for the Courts below to have found non-infringement because thereof. Thus, because petitioner asserts that the patent in suit discloses *nothing* of novelty and contributes *nothing* to the benefit of mankind, it is placed in a more favorable position than that

to which it would have been entitled if its disclosure had contained substantial novelty of actual technical or economic value. Strange and unrealistic indeed—and unjust as well—is a doctrine which would induce or permit the rejection of a sound, adequate defense because it is better or more complete than is required in order for it to prevail; and it might not be amiss to mention that it is well settled that a rule of equity should never be applied if its application results in injustice (see, for example, *Leo Feist Inc. v. Young*, 138 F. (2d) 972, at p. 975).

To soften this inescapable reaction, petitioner seeks to place respondent in a sphere by himself—to isolate him from the rest of the world and deprive him of the status of a member of the "public"—and all because he was the assignor of the patent. The argument is now reduced to the unqualified assertion that the patent in suit is invalid as against everyone else in the world, but it must be sustained as valid and infringed as against respondent. Of course, such an argument ignores, for want of answer thereto, the controlling language of *Westinghouse v. Formica, supra*, at page 351 where this Court adopted with approval the words of Mr. Justice LURTON (while a Circuit Judge) in *Noonan v. Chester Park Athletic Club Co.*, 99 F. at pages 90, 91:

"It seems to be well settled that the assignor of a patent is estopped from saying his patent is void for want of novelty or utility, or because anticipated by prior inventions. *But this estoppel, for manifest reasons, does not prevent him from denying infringement.* To determine such an issue, it is admissible to show the state of the art involved, that the court may see what the thing was which was assigned, and thus to determine the primary or secondary character of the patent assigned, and the extent to which the doctrine of equivalents may be invoked against an infringer. *The court will not assume against an*

assignor, and in favor of his assignee, anything more than that the invention presented a sufficient degree of utility and novelty to justify the issuance of the patent assigned, and will apply to the patent the same rule of construction, with this limitation, which would be applicable between the patentee and a stranger."

Thus, on the facts as they really are, and as we have shown them to be, without any question of *validity* there are *many* differences between the structure and operation of the machine of the patent in suit, on the one hand, and the accused machine of the expired Inman patent used by respondent, on the other hand. Therefore, under the doctrine of *Westinghouse v. Formica*, the claims of the patent in suit must be interpreted to include those differences as an "*essential element*". With such inclusion the claims obviously are not and cannot be infringed by respondent's Inman machine.

The fact that the Court of Appeals was of the opinion, expressly shared by petitioner, that utilization of the prior Inman patent to limit the claims of the patent in suit limited those claims to naught, is quite immaterial, and certainly affords no basis for petitioner to charge that respondent is "really" attacking the *validity* of the patent (brief, p. 3). Nor does it justify petitioner's rather specious argument that inasmuch as the patent assignor is estopped to question the *validity* of the patent he has assigned, and inasmuch as a patent claim which is limited to naught is invalid, respondent in this case is accomplishing by indirection what he could not accomplish directly.

As already pointed out hereinbefore, the practical significance of petitioner's contention is to add strength to doctrinal estoppel inversely in proportion to the value of the contribution to the arts made by the patent, so that the

lesser the contribution the stronger the doctrine, with the result that where the contribution is naught the doctrine is absolute—an utter absurdity.

It is submitted therefore that the Court of Appeals committed no error in its interpretation and application of this Court's decision in *Westinghouse v. Formica*, and its judgment should be affirmed.

POINT II.

Public policy as affecting patents also is determinative of this case.

The public policy underlying the grant of Letters Patent of invention is: The inventor having been given the right of exclusion for a period of seventeen years as a reward for disclosing his invention, the public at large, and every member thereof, acquires the absolute and uncontested right to use the invention upon the expiration of that period—the expiration of the patent grant. Free competition and unrestrained trade, basic axioms of our National philosophy and economy, are thus insured. Anything, regardless of its guise, which, without statutory sanction, lessens or eliminates competition or restrains trade, is adverse to the public interest. Thus, in the present case the mere fact that respondent assigned his patent to petitioner is not and cannot be made to be proper justification for depriving the public of the benefits that flow—and by the patent law were intended to flow—from the expiration of the Inman patent.

If necessarily follows, therefore, that neither the estoppel doctrine nor any other consideration that might be conjured up would or could justify a judgment in this case which would enjoin respondent from using the Inman machine after the expiration of the patent, therefor, for his benefit as a member of the public as well as for the benefit

of those members of the public that desire to purchase the unpatented commodities competitively made thereby. As this Court pointedly remarked (in *Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U. S. 661, at p. 670), public policy is not at the mercy of the parties nor dependent upon the usual rules governing private litigation.

Therefore, because of public policy alone, the judgment of the Court of Appeals below was correct and should be affirmed.

• • • • •
The fact that the attempt has been made by petitioner in this case to use the equitable estoppel doctrine to effect a wholly unwarranted and unjust result, contrary to the public interest, induces the thought that this Court might consider whether or not there is any justification whatever for the existence or application of that doctrine in patent infringement cases. Because of that possibility we deem it desirable briefly to express our views thereon.

It is too well known to require citation of authority that when a patent is granted it carries with it merely a *presumption* of validity, which presumption may be overcome by anyone against whom the patent is sought to be enforced. Consequently, can there be any logical reason why, in the absence of fraud or deliberate misrepresentation, the patentee or assignor of a patent should be deprived of the right—possessed by every *other* member of the public—to overcome the presumption of validity if it is within his power to do so? The public policy of free competition and unrestrained trade is opposed to a patent remaining clothed in the aspect of validity when, in fact, it is invalid, and this Court as well as the lower Courts have frequently stated or implied that it is the duty of the Court to invalidate a patent, bad on its face, even if invalidity is not asserted by the litigants. (e. g. *Brown v. Piper*, 91 U. S. 37, 44; *Bresnick et al. v. Vitamin Corp.*, 139 F. (2d) 239, 242).

No proper answer to the dictates of public policy is petitioner's assertion (on p. 18 of its brief) that any royalty that Marcalus might be charged by petitioner for the privilege of using a patent which had expired would not be passed on to the public because "*he would be summarily enjoined*". Conceivably, respondent might be the only one prepared to compete with petitioner in the manufacture and sale of the unpatented commodity. Thus, competition might be *completely* eliminated, and the public subjected to absolute monopoly based on a patent void on its face. And this despite the unanswerable fact that there is no more legal justification, because of the Marcalus patent, for petitioner to be free from the competition to which it might be subject by the use of the machine of the expired Inman patent, than there would be for petitioner to be free from competition in the manufacture and sale of the unpatented commodity which the two machines produce.

But it is said by petitioner that the estoppel is *necessary* to prevent the patentee-assignor from attacking the title of that which he has assigned, and the usual analogue adopted (as in *Westinghouse v. Formica, supra*) is that of a deed of land. Obviously, the assertion completely loses sight of or ignores the fact that there is no actual analogy between real property and a patent grant; and that a simple patent assignment carries with it no warranty that the patent conveyed is *valid*. To the contrary, the patent conveyed has no greater validity than the mere presumption thereof which attached by its grant. The only warranty of the assignment is, as in a conveyance of land, as to the *title*—the ownership—of that which is conveyed. Therefore, there appears to be neither legal nor logical justification to stretch an implied warranty as to *title* to a patent to include the *validity* thereof. Especially is that the case where, as here, the assignment is made at the time the application is filed,

as distinguished from after the grant of the patent. When the application is filed not even a *presumption* of validity exists—merely a *hope* that a patent of *some* kind may be allowed, with no psychic prognostication as to its nature or scope. This Court is quite familiar with instances—of alarmingly increasing number in recent years—where an application for patent for one invention is filed, but for some unexplainable reason the patent issues years later describing or claiming a wholly different invention, and one, usually, which the applicant never made and never represented that he had made. Under such circumstances can there possibly be any logical or defensible ground for a doctrine which would estop the applicant-assignor from questioning or attacking the validity of such a patent? But the doctrine is dogmatic and inexorable. To sanction and apply it necessitates utter blindness to justice and deafness to logic. It becomes a fetish, the worship of which requires its acceptance as supreme and sufficient unto itself, in complete disregard of the fundamental principles of justice and jurisprudence of which it purports to be merely an insignificant part.

It is now well settled that doctrinal law must be regarded as subservient to public policy. Thus, in *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173, the doctrine of estoppel which prevented a licensee under a patent from attacking its validity, was held by this Court not to apply when the license contained a price fixing covenant in contravention of the public right, and the licensee was permitted to show—as it did show—that the patent was invalid.

Again, recognition of public policy induced the Court of Appeals for the Second Circuit in *Nachman Spring Corp. v. Kay Manufacturing Company*, 139 F. (2d) 781, to expressly rule (at p. 783) that the doctrine of the *Sola* case is applicable to *any agreement which unreasonably restrains competition*.

Also, recognition by this Court of public policy formed the basis for the decision in *Mercoid Corp. v. Mid-Continent Investment Co., et al.*, 320 U. S. 661, wherein the doctrinal law of contributory infringement was vitiated in so far as and to the extent that it was in conflict with the public interest. In that case this Court said (at p. 669) :

"It is sufficient to say that in whatever posture the issue may be tendered Courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest."

Thus it is apparent that it is wholly immaterial how or in what guise unwarranted restraint of competition is sought to be effected—whether it be by contractual covenant, conduct, or doctrinal law—it may not be sanctioned in contravention to the public right.

The public is entitled to the benefit of unrestrained competition in any commodity, machine, or art not validly monopolized by a patent grant. And the public may not be deprived of that benefit by the existence or application of a doctrinal principle used as a device to restrain or eliminate competition. Certainly, no doctrine—such as that of estoppel here sought to be invoked—is a justification for depriving the public of the benefits that flow—and by the patent law were intended to flow—from the expiration of the Inman patent.

The inevitable consequence of any other conclusion is appalling. Conceivably, every manufacturer of machines usable in an art, merely by acquiring, temporarily holding, and then assigning the patent to another in the chain—whereby they each become an "assignor"—could be brought under the cloak of the estoppel doctrine and thereby enable the setting up of a worthless and invalid patent as a complete and dominating monopoly in the art, with

all of the inevitable, vicious consequences to a free economy with which this Court has been made familiar during the last decade. It is believed that no such complete disregard of the public interest can knowingly be sanctioned.

It is also believed that present day jurisprudence neither permits nor condones absurdities such as this. In *Lektophone Corp. v. Rola Co.*, 27 F. (2d) 758, because their acceptance would have resulted in "perversion of judicial function and defeat of justice", the Court rejected similar doctrinal principles, rather eloquently saying of them (at p. 761):

"Justice is more than these latter—is the substance whereof they are the shadows sometimes distorted."

Therefore, it is believed to be apparent that there is no proper place for the doctrinal law of estoppel in the administration of a patent right—a creature of statute—when such doctrinal law is so completely opposed to the public interest; and this Court would be fully justified in so stating in this case.

Conclusion.

The judgment of the Court below should be affirmed.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
Counsel for Respondents.

DONALD J. OVEROCKER,
Of Counsel.

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SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1944

No. [redacted]

54

AUTOMATIC PAPER MACHINERY COMPANY, INC.,
Petitioner

vs.

MARCALUS MANUFACTURING COMPANY, INC.,
and NICHOLAS MARCALUS
Respondents

**MOTION TO SUBSTITUTE PETITIONER AND
MEMORANDUM IN SUPPORT THEREOF.**

GEORGE E. MIDDLETON
Counsel for Petitioner

SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1944

No. 1097

AUTOMATIC PAPER MACHINERY COMPANY, INC.,
Petitioner

vs.

MARCALUS MANUFACTURING COMPANY, INC.,
and NICHOLAS MARCALUS,
Respondents

MOTION TO SUBSTITUTE PETITIONER

May it Please the Court:

NOW COMES PETITIONER, AUTOMATIC PAPER MACHINERY COMPANY, INC., and representing to the Court that on May 25, 1945, it assigned the entire right, title and interest in and to the patent in suit, No. 1,843,429, to SCOTT PAPER COMPANY of Chester, Pennsylvania, a corporation organized and existing under the laws of the state of Pennsylvania, together with the right to continue the prosecution of this action and to recover all profits and damages awarded, moves that SCOTT PAPER COMPANY be substituted as petitioner herein. SCOTT PAPER COMPANY hereby joins in this motion. A copy of the assignment is annexed.

Respectfully submitted,

AUTOMATIC PAPER MACHINERY COMPANY, INC.
SCOTT PAPER COMPANY
By GEORGE E. MIDDLETON,
Counsel for Petitioner and
Scott Paper Company.

Respondents consent to the substitution of SCOTT PAPER COMPANY as petitioner herein.

June 7, 1945.

SAMUEL E. DARBY, JR.,
Counsel for Respondents.

ASSIGNMENT

In consideration of One Dollar (\$1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, AUTOMATIC PAPER MACHINERY COMPANY, Inc., a corporation organized and existing under the laws of the State of New Jersey, and having its principal place of business at Hoboken, New Jersey, does hereby sell, assign and transfer to SCOTT PAPER COMPANY, a corporation organized and existing under the laws of the State of Pennsylvania, and having its principal place of business at Chester, Pennsylvania, the entire right, title and interest in and to:

- (1) The following United States Letters Patents:

<i>Title</i>	<i>Patent No.</i>	<i>Patent Date</i>
Winding Machine	1,776,263	September 23, 1930
Box for Dispensing Rolled Paper	1,816,384	July 28, 1931
Wax Paper Package	1,827,029	October 13, 1931
Mounting Cutters on Box Blanks	1,843,429	February 2, 1932
Machine for and Method of Winding Folded Webs	1,884,783	October 25, 1932
Paper Roll	1,884,784	October 25, 1932
Box Machine	1,947,561	February 20, 1934

together with all extensions and renewals and the right to sue for and recover all profits and damages for all past infringements thereof; including expressly the right to continue the prosecution of the pending action entitled *Automatic Paper Machinery Company, Inc. v. Marcalus Manufacturing Company, Inc.*, and *Nicholas Marcalus*, for infringement of U. S. Patent No. 1,843,429, February 2, 1932, now before the Supreme Court of the United States on petition for writ of certiorari to the United States

Circuit Court of Appeals for the Third Circuit granted April 30, 1945, and to recover all profits and damages for past infringements awarded in that action.

- (2) The following application for United States Letters Patent:

<i>Title</i>	<i>Serial No.</i>	<i>Filing Date</i>
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Dispensing Box for Waxed Paper 530,145 April 8, 1944
together with all divisions and continuations thereof and all patents that may be issued thereon.

- (3) The right to sue for and recover profits and damages for all past infringements of the following expired U. S. Letters Patents:

<i>Title</i>	<i>Patent No.</i>	<i>Expiration Date</i>
Winding Machine	1,628,322	May 10, 1944
Web Winding Machine	1,628,323	May 10, 1944
Box for Paper Rolls	1,630,495	May 31, 1944
Web Winding Machine	1,669,832	May 15, 1945

IN TESTIMONY WHEREOF the said AUTOMATIC PAPER MACHINERY COMPANY, INC., has caused this instrument to be executed by its officers hereunto duly authorized this 25th day of May, 1945.

AUTOMATIC PAPER MACHINERY COMPANY, INC.

By ROSWELL H. RAUSCH,

President.

Attest:

B. E. SNYDER,
Secretary.

(Corporate Seal)

(Duly acknowledged on May 25, 1945.)

4

MEMORANDUM IN SUPPORT OF MOTION

Petitioner having assigned the patent in suit, together with the right to continue the prosecution of this action and the right to recover all profits and damages awarded, now moves that the assignee be substituted as petitioner.

An assignee of a patent and also the claim for past infringements of it may sue for infringements committed prior to the assignment. *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U. S. 24, 43. When such an assignment of the patent in suit is made *pendente lite* it has been the practice of the federal district and circuit courts of appeals in patent infringement actions to permit substitution of the assignee as party plaintiff. *Denaro v. McLaren Products Co., et al.*, 9 F. 2d 328, 330; *Irving Air Chute Co. v. Switlik Parachute and Equipment Co.*, 26 F. Supp. 329, 330. Rule 25 (e) of the Federal Rules of Civil Procedure provides that:

“In case of any transfer of interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party.”

Substitution would appear to be imperative when an injunction is sought. *Mendez v. Bowie*, 118 F. 2d, 435, 439.

We have been unable to find a case in which a patentee-plaintiff assigned the entire interest in his patent while before this Court. On principle, however, we see no reason why the assignee should not be substituted. *Oklahoma Gas Co. v. Oklahoma*, 273 U. S. 257; *Ex parte Railroad Co.*, 95 U. S. 221, 222.

Respondents have consented to the substitution.

Respectfully submitted,

GEORGE E. MIDDLETON,
Counsel for Petitioner.

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SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1945

No. 54

SCOTT PAPER COMPANY,

Petitioner

vs.

**MARCALUS MANUFACTURING COMPANY, INC.,
and NICHOLAS MARCALUS**

**PETITION FOR REHEARING
(OPINION RENDERED NOVEMBER 13, 1945)**

**GEORGE E. MIDDLETON
Counsel for Petitioner**

PETITION FOR REHEARING

May it Please the Court:

YOUR PETITIONER, Scott Paper Company, hereby prays for a rehearing on the following grounds:

1. In holding that all members of the public, including respondent here, have a right to use the inventions of expired patents "free from all restrictions" the Court, misapprehending the true nature of the patent grant, has created by judicial fiat a right that not even Congress has the power to create by legislation.
2. In holding that the assignor of a patent when sued for its infringement has a complete defense "where the alleged infringing device is that of an expired patent", the Court has failed to clear the confusion of the lower federal courts as to the true meaning and ambit of the Formica rule.

1.

A patent grants to the patentee the right to exclude others from making, using or vending the thing patented. The patentee is *not* granted the right to make, use or vend it himself; he has that right at common law; a right to which the exclusive enjoyment conferred by the patent is but an incident. *Crown Die & Tool Company, v. Nye Tool & Machine Works*, 261 U. S. 24, 36. And this common law right is not absolute but is hedged about by the qualifications and restrictions that limit the enjoyment of all rights; it is a right, moreover, that Congress, under the Constitution is powerless to bestow. *Patterson v. Kentucky*, 97 U. S. 501. When a patent expires the patentee's right of exclusion expires with it, but just as the grant of the patent conferred upon the patentee no right to make, use and vend, so its expiration confers no such right upon the public. The so-called fundamental principle of the patent law that the public is free to exploit the invention of an expired patent is, in the nature of things, true only with respect to the ex-patentee; the public is free from his restraints—nothing more.

An analogous situation arises when a patented article of manufacture is once sold by the patentee or those acting under his authority. It is then no longer subject to the monopoly of the patent and may thereafter be used or sold free from any restrictions imposed by the patentee. *U. S. v. Univis Lens Co.*, 316 U. S. 241, 251. But quite obviously the purchaser has acquired no right to use the thing he has bought "free from all restrictions". Its use may be prohibited by local law; it may be attached to satisfy a judgment; it may infringe some other patent.

Congress may neither grant common law rights nor prohibit their exercise without Constitutional authority. When this Court declares that the public's rights in the inventions of expired patents "are then no longer subject to private barter, sale or waiver" the Court, we respectfully submit, is not only making new law, but unconstitutional law. Not even Congress itself could properly enact a statute removing all restrictions on the private barter and sale of once patented inventions, and if it did, this Court would be prompt to nullify it. *Trade-Mark Cases*, 100 U. S. 82.

If, as we have seen, the expiration of a patent does not and cannot invest the public with the unrestricted right to enjoy the invention theretofore monopolized, then there is nothing to preclude petitioner here from invoking the doctrine of estoppel as against its assignor, who, by his own voluntary act, has restricted himself from enjoying the invention of the expired Inman patent. It may be true that

"The interest in private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power."

But it is equally true—and much more important—that private good faith should not be sacrificed to an imaginary public interest secured by no exercise of the legislative power.

2.

It seems a pity that this case, which presented substantial questions for decision, should have turned on the adventitious circumstance that the anticipating prior art was evidenced by an expired patent. This did not seem significant to Mr. Justice Reed, nor did it to Mr. Justice Frankfurter:

"A machine that is not patentable because it is not novel is just as much part of the public domain as a machine on which the patent has expired".

How right they were! Consider:

Suppose that the Inman patent, instead of expiring on August 27, 1929, had issued on that date. It would still have a little time to run. Let us suppose further that Inman was indifferent or had granted Marcalus a license. The patent would still be a complete anticipation of the patent in suit and would invalidate it in the hands of any other defendant. Would the estoppel doctrine of the Formica case then be applicable?

Suppose that Inman, instead of seizing the opportunity afforded by the patent laws "to secure the material rewards for his invention for a limited time, on condition that he make full disclosure for the benefit of the public" had renounced those material rewards when he made his invention in 1911 and had published a full disclosure of it for the benefit of the public in the Scientific American of that time. The invention which would have been "dedicated to the public" in 1929, had the invention been patented, would then have been dedicated in 1911. Would that have changed the rule? Had Marcalus gone to the Scientific American rather than to the files of expired patents would he then have been estopped? What quality is possessed by the Inman machine in an expired patent not possessed by the same machine in the Scientific American? Both are equally in the public domain. Both equally

anticipate the patent in suit. Is a thing acquired by purchase intrinsically more valuable than the same thing received as a gift? (Though, of course, the prior art is no gift; society has somehow paid for it.) Surely the public stake in the vast literature of science and technology is no less than in the disclosures of expired patents.

Suppose again that Inman had neither patented his machine nor described it in a printed publication, but had simply used it publicly. Would Marcalus have been estopped to take advantage of that? The prior art in *Buckingham Products Co. v. McAleer Mfg. Co.*, 108 F. 2d, 192, was evidenced by a public use. Has the law of that case been overruled?

In none of the cases in which the lower federal courts have variously interpreted the Formica rule was the anticipating prior art shown in an expired patent, or, if so, that fact was considered to be without significance. Such a situation arises once in a blue moon. By making this insignificant fact dispositive of this case the Court has missed an opportunity to clarify the law on estoppel by deed as applied to the assignment of patent property. The conflicts which we urged as a reason for granting the writ are not resolved and the errors of the Court of Appeals are not corrected.

Respectfully submitted,

GEORGE E. MIDDLETON,
Counsel for Petitioner.

I hereby certify that this petition for rehearing is presented in good faith and not for delay.

GEORGE E. MIDDLETON.

November 30, 1945.

P. I dissent

SUPREME COURT OF THE UNITED STATES.

No. 54.—OCTOBER TERM, 1945.

Scott Paper Company, Petitioner, } On Writ of Certiorari to
vs. } the United States Circuit
Marcalus Manufacturing Company, } Court of Appeals for the
Inc., and Nicholas Marcalus. } Third Circuit.

[November 13, 1945.]

Mr. Chief Justice STONE delivered the opinion of the Court.

In this patent infringement suit the question is whether the assignor of a patent is estopped by virtue of his assignment to defend a suit for infringement of the assigned patent on the ground that the alleged infringing device is that of a prior art, expired patent.

Automatic Paper Machinery Company, Inc., petitioner's assignor, acquired by assignment, from respondent Marcalus, Patent No. 1,843,429 of February 2, 1932, issued on the application of Marcalus for "a method and machine for mounting a cutting strip of a hard non-metallic substance on an edge of a box blank." The patent describes and claims a method, and a machine for employing it, whereby, in substantially one operation, indurated paper is drawn from a roll and brought into overlapping relationship with the edge of a box blank, when a strip of the paper is automatically cut off and glued to the box blank in such position that its longitudinal edge projects beyond the edge of the box blank. The box thus equipped with the cutting edge of the strip is useful as a dispensing container for rolled wax paper which, as drawn from the roll, may be cut in any desired lengths by drawing it across the cutting edge at an angle with the plane of the cutter. Marcalus, while an officer and employee of petitioner, made the patented invention and assigned his patent application to petitioner for a valuable consideration. The patent issued on the application as filed, without amendment, after which Marcalus severed his connection with petitioner and organized respondent company, which he controls, and which, like petitioner, is engaged in producing and selling box blanks having a cutting edge.

In the present suit, brought by petitioner for infringement of the assigned patent, respondents defended on the ground that

their accused machine is a copy of that of the expired, prior art patent issued to Inman in 1912. The District Court gave judgment for petitioner, 54 F. Supp. 105, holding that inasmuch as respondents were estopped by Marcalus' assignment of the patent to show its invalidity, they could not, by recourse to the prior art to show noninfringement, accomplish the same result by indirection. The Court of Appeals reversed, 147 F. 2d 608, holding that the prior art may be resorted to by the assignor to measure the extent of anticipation for the purpose of limiting the claims of the assigned patent, and thus avoid infringement. Because of the identity patentwise of the Inman Patent with the assigned patent and with the accused device, the court held that the claims of the assigned patent were limited to naught, and hence that there could be no infringement.

To sustain its right to enjoin infringement by the assignor of a patented invention anticipated by a prior art patent, petitioner relies on the doctrine of estoppel as applied to the assignor of a patent for value. Its basic principle is said to be one of good faith, that one who has sold his invention may not, to the detriment of the purchaser, deny the existence of that which he has sold. See *Westinghouse E. & Mfg. Co. v. Formica Insulation Co.*, 288 Fed. 330, 333. The rule, as stated by this Court in the *Westinghouse Co. v. Formica Co.*, 266 U. S. 342, 349, is "that an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant. As to the rest of the world, the patent may have no efficacy and create no right of monopoly; but the assignor can not be heard to question the right of his assignee to exclude him from its use. *Curran v. Burdsall*, 20 Fed. 835; *Ball & Socket Fastener Co. v. Ball Glove Fastening Co.*, 58 Fed. 818; *Woodward v. Boston Lasting Machine Co.*, 60 Fed. 283, 284; *Babcock v. Clarkson*, 63 Fed. 607; *Noonan v. Chester-Park Athletic Co.*, 99 Fed. 90, 91."

Respondents, denying that the doctrine of estoppel can rightly be applied to patent assignments, also insist that the present case is not within the scope of the doctrine. Compare *Buckingham Products Co. v. McAleer Mfg. Co.*, 108 F. 2d 192 with *Casco Products Corp. v. Sinko Tool & Mfg. Co.*, 116 F. 2d 119. Both parties rely on the decision of this Court in the *Formica* case, *supra*, which, although stating that the assignor cannot deny the

novelty and validity of the assigned patented invention, nevertheless held that the claims of a patent may be narrowed by reference to the prior art so as to restrict them to so much of the invention described by the specifications as is not exhibited by the prior art. *Klein v. Russell*, 19 Wall. 433, 466, 467; *Garneau v. Dozier*, 102 U. S. 230; *Wollensak v. Reiher*, 115 U. S. 87; *Beidler v. United States*, 253 U. S. 447; *Mackay Co. v. Radio Corp.*, 306 U. S. 86, 94. Cf. *Hocking v. Hocking*, 4 R. P. C. 255, 434, 6 R. P. C. 69; *Clark v. Adie*, 2 App. Cas. 423; *Crosthwaite v. Steel*, 6 R. P. C. 190.

This Court in the *Formica* case, passing the question, not present here, whether the estoppel of the assignor extends to claims added by the assignee to the application in the Patent Office, held that the estoppel did not, in any event, preclude the assignor charged as an infringer from narrowing or qualifying their construction by reference to the prior art, saying, 266 U. S. at 351: "The distinction may be a nice one, but seems to be workable." It accordingly, by reference to the prior art, interpreted the claims, by narrowing them to a two step process, shown by the specifications, which the court found to be the assignor's advance over the prior art, but which was not in terms embodied in the claims. The Court thus sustained the defense of noninfringement by restricting the claims by reference to the prior art, and by holding in effect that the invention assigned was not as broad in scope as the claims would otherwise on their face define it to be.

Petitioner, pointing to the logical embarrassment in applying a doctrine which forbids the assignor to deny validity of the patented invention for want of novelty, but nevertheless allows him to narrow its scope by reference to the prior art in order to save his accused device from infringement, insists that the court below has resorted to the prior art, not for the purpose of narrowing the claims and distinguishing from the prior art something which the assignor invented, but for the purpose of destroying the claims because anticipated. This is said to be precisely the same in purpose and effect as to deny invention for want of novelty. It is urged that the permission thus given to respondent assignor to show want of novelty which he is estopped to deny, is to disregard the estoppel which, by hypothesis, he is bound.

Respondents, on the other hand, insist that a literal application of the rule of the *Formica* case limits the claims of the assigned patent to a structure having certain minor mechanical additions made by Marcalus to the machine of the Inman patent which respondents copied by their accused device. These additions, it is conceded, may not involve invention, but if so, it is said, respondents are estopped to assert it. And applying the rule of the *Formica* case they urge that the claims of the patent may nevertheless be narrowed to a machine embodying the additional, minor features not found in the Inman machine, and infringement may thus be avoided.

But in the circumstances of this case we find it unnecessary to pursue these logical refinements, or to determine whether, as respondent asks, the doctrine of estoppel by patent assignment as stated by the *Formica* case should be rejected. To whatever extent that doctrine may be deemed to have survived the *Formica* decision or to be restricted by it, we think that case is not controlling here. For other considerations are dispositive of this case, in which, unlike *Formica*, the accused machine is precisely that of an expired patent. Neither in that case nor in any other, so far as we are advised, was the doctrine of estoppel applied so as to penalize the use of the invention of an expired patent. That we think is foreclosed by the patent laws themselves.

Revised Statutes, §§ 4886, 4884 as amended, 35 U. S. C. §§ 31, 40, provide for the grant of a patent for a term of seventeen years to any person who has invented a "new and useful art, machine, manufacture, or composition of matter." The grant is conditioned upon the filing of an application in the patent office describing the invention and the manner of making and using it. R. S. § 4888 as amended, 35 U. S. C. § 33. Revised Statutes, §§ 4895, 4898, 35 U. S. C. §§ 44, 47, authorize the assignment of an invention while the application for a patent is pending and of the patent rights to the invention after the patent has issued. Section 24(7) of the Judicial Code, 28 U. S. C. § 41(7), confers on district courts of the United States jurisdiction of cases arising under the patent laws, and R. S. § 4921 as amended, 35 U. S. C. § 70, gives the district courts authority to entertain suits to restrain infringement and for recovery of any resulting damage from the infringement of any right secured by the patent grant.

The enactment of these provisions is the mode by which Congress has chosen to carry into effect the policy sanctioned by the

Constitution, Article I, § 8, Cl. 8 "To promote the Progress of Science and useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their . . . Discoveries." The nature and extent of the legal consequences of the expiration of a patent are federal questions, the answers to which are to be derived from the patent laws and the policies which they adopt. Cf. *Sola Electric Co. v. Jefferson Co.*, 317 U. S. 173, 176; *Steele v. L. & N. R. Co.*, 323 U. S. 192, 204, and cases cited. By the patent laws Congress has given to the inventor opportunity to secure the material rewards for his invention for a limited time, on condition that he make full disclosure for the benefit of the public of the manner of making and using the invention, and that upon the expiration of the patent the public be left free to use the invention. See *Special Equipment Co. v. Coe*, 324 U. S. 370, 378. As has been many times pointed out, the means adopted by Congress of promoting the progress of science and the arts is the limited grant of the patent monopoly in return for the full disclosure of the patented invention and its dedication to the public on the expiration of the patent. *Grant v. Raymond*, 6 Pet. 218, 241-242; *Gill v. Wells*, 22 Wall 1; *Bauer v. O'Donnell*, 229 U. S. 1; *Motion Picture Co. v. Universal Film Co.*, 243 U. S. 502, 510-511, and cases cited.

The aim of the patent laws is not only that members of the public shall be free to manufacture the product or employ the process disclosed by the expired patent, but also that the consuming public at large shall receive the benefits of the unrestricted exploitation, by others, of its disclosures. *Kellogg Co. v. Nat. Biscuit Co.*, 305 U. S. 111, 117-120. If a manufacturer or user could restrict himself, by express contract, or by any action which would give rise to an "estoppel", from using the invention of an expired patent, he would deprive himself and the consuming public of the advantage to be derived from his free use of the disclosures. The public has invested in such free use by the grant of a monopoly to the patentee for a limited time. Hence any attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws. And for the same reason a stranger, such as respondent Marcalus, cannot by securing and assigning a patent on the invention of the expired Inman patent, confer on petitioner any right to deprive the public of the benefits of the

free use of the invention for which the public has paid by the grant of a limited monopoly.

By the force of the patent laws not only is the invention of a patent dedicated to the public upon its expiration, but the public thereby becomes entitled to share in the good will which the patentee has built up in the patented article or product through the enjoyment of his patent monopoly. Hence we have held that the patentee may not exclude the public from participating in that good will or secure, to any extent, a continuation of his monopoly by resorting to the trademark law and registering as a trademark any particular descriptive matter appearing in the specifications, drawings or claims of the expired patent, whether or not such matter describes essential elements of the invention or claims. *Kellogg Co. v. Nat. Biscuit Co., supra*, 117-120; *Singer Manufacturing Co. v. June Manufacturing Co.*, 163 U. S. 169, 185.

It is thus apparent that the patent laws preclude the patentee of an expired patent and all others including petitioner from recapturing any part of the former patent monopoly; for those laws dedicate to all the public the ideas and inventions embodied in an expired patent. They do not contemplate that anyone by contract or any form of private arrangement may withhold from the public the use of an invention for which the public has paid by its grant of a monopoly and which has been appropriated to the use of all. The rights in the invention are then no longer subject to private barter, sale, or waiver. Cf. *Phillips v. Grand Trunk R. Co.*, 236 U. S. 662; *Midstate Horticultural Co. v. Pennsylvania R. Co.*, 320 U. S. 356, 361; *Brooklyn Bank v. O'Neil*, 324 U. S. 697, 704. It follows that the patent laws preclude the petitioner assignee from invoking the doctrine of estoppel, as a means of continuing as against respondent, his assignor, the benefit of an expired monopoly, and they preclude the assignor from estopping himself from enjoying rights which it is the policy of the patent laws to free from all restrictions. For no more than private contract can estoppel be the means of successfully avoiding the requirements of legislation enacted for the protection of a public interest. Compare *Pittsburgh &c. Ry. Co. v. Fink*, 250 U. S. 577, 583 with *Louisville & Nashville R. R. v. Mottley*, 219 U. S. 467, 476-477; *New York Central R. R. v. Gray*, 239 U. S. 583, 586-587; *Norman v. B. & O. R. Co.*, 294 U. S. 240, 304-305, 309-310, and cases cited. The interest in private good faith is not a universal touchstone which can be

made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. The patent laws preclude us from saying that the patent assignment, which they authorize, operates to estop the assignor from asserting that which the patent laws prescribe, namely, that the invention of an expired patent is dedicated to the public, of which the assignor is a member.

The judgment is affirmed for the reason that we find that the application of the doctrine of estoppel so as to foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, which anticipates that of the assigned patent, is inconsistent with the patent laws which dedicate to public use the invention of an expired patent. The assignor has a complete defense to an action for infringement where the alleged infringing device is that of an expired patent.

We have no occasion to consider the question discussed in briefs and arguments of counsel, whether the estoppel by patent assignment violates either the terms or policy of the laws against restraints of trade and competition.*

Affirmed.

Mr. Justice REED considers that the dominant rule of *Westinghouse Co. v. Formica Co.*, 266 U. S. 342, 349, is "that an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant." The fact that the prior art is evidenced by an expired patent does not seem significant to him. Consequently he would reverse.

Mr. Justice JACKSON took no part in the consideration or decision of this case.

* This question was not raised or argued in *Westinghouse Co. v. Formica Co.*, *supra*, nor, so far as appears, in any of the cases cited in that opinion or the English cases which preceded it.

By § 515 of the Restatement of Contracts, a restraint of trade is unreasonable and hence unlawful if it "is based on a promise to refrain from competition and is not ancillary either to a contract for the transfer of good will or other subject of property . . ." See generally as to the validity of contracts not to compete 76 Pa. L. Rev. 244, 257 ff.; Handler, Cases and Materials on Trade Regulation, 102-150.

SUPREME COURT OF THE UNITED STATES.

No. 54.—OCTOBER TERM, 1945.

Scott Paper Company, Petitioner,) On Writ of Certiorari to
vs.) the United States Circuit
Marealus Manufacturing Company,) Court of Appeals for the
Ine., and Nicholas Marealus.) Third Circuit.

[November 13, 1945.]

Mr. Justice FRANKFURTER dissenting.

When by a fair and free bargain a man sells something to another, it hardly lies in his mouth to say, "I have sold you nothing." It certainly offends the rudimentary sense of justice for courts to support one who purports to sell something to another in saying "What I have sold you is worthless", even though he did not expressly promise that what he sold had worth. The obvious implications of fair dealing in commercial transactions have been part of our law for at least a hundred years. And it would be surprising indeed if the law made a difference whether what was purported to be sold was a diamond, or a secret process for manufacturing a commodity, or a patented machine.

~~Coming to grips with the immediate question before us, it has~~ ^I never been questioned that courts will not make themselves instruments of unfair dealing when what is sold is a patent. In technical language, the sale of a patent means its assignment. Congress might have confined the right to exploit a patent solely ~~by the~~ ^{To} patentee. Congress has acted on the contrary policy. Ever since the Act of February 21, 1793, 1 Stat. 318, Congress has sanctioned the right to assign patents, requiring only fulfillment of certain formalities. To be sure, Congress has not said in so many words that the seller of a patent—an assignor—is subject like other sellers to the obligations of fair dealing. It has not said that he cannot turn around on the morrow and render futile that which he has sold by claiming that what he purported to sell as a patent was in truth not a patent, and, since it was not a patent, he, the seller, could not be charged with impairing the worth of the patent by practis-

ing it himself. Until this day such a sophistical argument to accomplish overreaching in a business transaction has uniformly been rejected by the courts, and it has been rejected by this Court on basic considerations of "fair dealing". *Westinghouse Co. v. Formica*, 266 U. S. 342, 350. It is relevant to recall that insistence on this doctrine was unanimously made in the *Formica* case by a Court which included Mr. Justice Brandeis, than whom no one was more zealously alert against the slightest inroads upon the public interest through undue extension of patent rights. It is important to emphasize that the principle of good faith which the conscience of equity has thus enforced binds only an assignor who seeks to use the courts to defeat that which he purported to sell. It merely restricts one person, the assignor, from denying that he sold a patent when he purported to sell it, leaving the whole rest of the world free to assail the validity or novelty of the patent.

To be sure, the patent legislation does not in so many words formulate this doctrine of fair dealing between assignor and assignee. But patent legislation, like other legislation and indeed like all compositions, impliedly contains presuppositions which need not be spelled out precisely because they are taken for granted. The fair intendment of a patent assignment authorized by Congress is as much to be respected as the same meaning explicitly stated. Patent legislation is part of the great body of law. Familiar equitable doctrines, applicable to the whole domain of law and unquestioned as part of the judicial process, are infused into specific enactments dealing only with the specific problems that call for specific formulation. If warrant in the language of Congress had to be found for all adjudications made by this Court in litigation involving patents, no inconsiderable volume of decisions drawn from general equitable principles ought never to have been made and should be undone.

The principle of fair dealing as between assignor and assignee of a patent whereby the assignor will not be allowed to say that what he sold as a patent was not a patent has been part of the fabric of our law throughout the life of this nation. It has been undeviatingly enforced by English-speaking courts in this country, in England, in Canada, and Australia. See, e. g., *Oldham v. Langmead*, cited in *Hayne v. Maltby*, 3 T. R. 438, 439, 441 (1789); *Indiana Mfg. Co. v. Smith*, 10 Can. Exch. 17 (1905); *Shepherd v.*

Patent Composition Pavement Co., 5 Aust. Jur. 27 (1874). If there are reasons of public policy against the continued application of this equitable doctrine in the case of a patent, Congress has ready means of undoing that which has always been part of the patent law, as is true of other provisions which in its wisdom may call for change. This doctrine, voluminously applied in the Law Reports, has never been questioned by Congress in the successive enactments amending the patent law. Only very recently bills dealing with this subject have been introduced but have-not yet been acted upon. See, e.g., H. R. 97 and H. R. 3462, 79th Cong., 1st Sess. (1945); H. R. 3874, 78th Cong., 1st Sess. (1943). The place for reconsidering the policy which this Court more than twenty years ago characterized as "a rule well settled by forty-five years of judicial consideration", *Westinghouse Co. v. Formica*, *supra*, at 349, is the Congress. That forum is not confronted with the stark alternatives of either adhering to the rule or wiping it out, but has the wide range of legislative discretion in considering what is good and what is bad in the rule and fashioning legislation appropriate to the diversified aspects of the problem.

The Court professes neither to reject, nor to adhere to, the equitable principle of fair dealing reaffirmed by the *Formica* case. It finds ground for avoiding what seem to me to be inescapable alternatives by the claim that the assignor here purported to assign a patent which turns out to be invalid because it now appears that it was based on an earlier expired patent. Since an expired patent makes it part of the public domain, the assignor, although he had sold what need not have been bought, could enter the domain like the rest of the public. So goes the argument. But this, I submit with all respect, is to throw out the baby with the bath. For it amounts to saying that the assignor in raising invalidity in a suit for infringement is just a part of the general public and can ask the Court to enforce every defense open to the rest of the public. The essence of the principle of fair dealing which binds the assignor of a patent in a suit by the assignee, even though it turns out that the patent is invalid or lacks novelty, is that in this relation the assignor is not part of the general public but is apart from the general public. The isolated, individual relation between assignor and assignee, due to the sale by the assignor of something which he afterwards should not be allowed to say was nothing, is the basis

of the doctrine of fair dealing which operates against him and against nobody else. That doctrine is wholly consistent with the right of the general public to the free and unfettered use of a patent after its time has expired. It is suggested, also, that the public is harmed by removing the assignor from the ranks of actual or potential manufacturers of what is covered by the patent. But that is true of every case in which the assignor is barred from questioning the validity of his assignment. As against the loss to the public of one possible manufacturer is put the public policy of fair dealing between man and man. That is the meaning of the *Formica* doctrine.¹

A machine that is not patentable because it is not novel is just as much part of the public domain as a machine on which the patent has expired. If public policy does not preclude an individual from being held to a fair bargain with another when he purported to sell as a patent what in fact was never patentable, what is there in reason—for there is nothing in what Congress has said—that should preclude enforcement of a fair bargain whereby an individual agreed, in effect, not to compete with another regarding a machine which turns out not to have been patentable because it represented an expired patent open to all the rest of the world? Of course, parties cannot by agreement defeat an explicit provision or purpose of legislation. One shipper cannot, for instance, secure the private advantage of a lower rate when the Interstate Commerce Act provides for equality of rates among shippers, *Pittsburgh, etc., L. Y. Co. v. Fink*, 250 U. S. 577; nor can an employer defeat the protective purpose of the Fair

¹ The complicated facts in the *Formica* case have somewhat obscured the true scope and meaning of that decision. What was decided is perhaps best disclosed in the lower court's opinion which was here affirmed. That opinion was by Judge Denison who spoke with special authority on patent law: "It may be granted that these two claims [in controversy] were properly readable upon the specifications and drawings of the application signed by O'Connor [the assignor]—that is to say, in the language of the Patent Office, that he had the right to make these claims. Nevertheless they expressed a conception of the invention, which rested solely on the 'non-planiform' shape of the article and was in this respect broader than any claim which O'Connor had drafted, and if the prior Baekeland patent had been known to O'Connor, as it became known to his assignees when it later compelled them to abandon the original broad claims, he probably never would have claimed as his the invention thus formulated. The record does not support the inference that O'Connor either expressly or impliedly represented to the Westinghouse Company [the assignee] that he was the inventor of the process defined in these two claims, and hence the claim of estoppel must fail." 288 Fed. 330, 334.

Labor Standards Act setting minimum wage limits, by an agreement based on the inequality of bargaining power between employers and individual employees, *Brooklyn Savings Bank v. O'Neill*, 324 U. S. 697, 706. There is nothing comparable to such situations in the language or purpose of the patent laws regarding assignment of patents. On the contrary, as we have seen, the principle whereby an assignor is held to his bargain with the assignee has been part of the texture of our patent law throughout its history. Congress in its successive enactments modifying the patent law has respected this principle and left it untouched.²

Happily law is not so divorced from ethical standards that a hitherto unquestioned principle of fair dealing should be deemed hostile to any branch of the law. But if the principle of fair dealing as between the assignor and the assignee of a patent that has for so long been part of the patent law is to be repudiated judicially, it is better to do so explicitly, not by circumlocution.

² Nor can the assignor of an expired patent, when the assignee seeks to hold him to his bargain, invoke the law condemning contracts in restraint of trade. So far as the hitherto recognized principle of fair dealing between an assignor and his assignee unduly restrains the freedom of action of the assignor, it merely restrains in the manner that every contract is a restraint of trade. See *Chicago Board of Trade v. United States*, 246 U. S. 231, 238. And it restrains equally whether what is assigned is an expired patent or something that never was a patent. In fact, however, the doctrine of such fair dealing does not run counter to the considerations by which the law outlaws restraints which persons may impose on themselves by contract. For such an implied restraint as is found in the assignment of a patent, purportedly valid but in fact invalid, like all reasonable restraints, does not offend the objections to unreasonable restraints. The underlying rationale of the law against unreasonable restraints is twofold. The first of these reasons is that the law will not lend its aid in the enforcement of a contract by means of which a man may deprive himself of the possibility of earning a livelihood and deprive the public of the "benefit of his labor." The second, "that such restraints tended to give . . . the beneficiary of such restraints, a monopoly of the trade, from which he had thus excluded one competitor, and by the same means might exclude others." Taft, J., in *United States v. Addyston Pipe & Steel Co.*, 85 Fed. 271, 279, modified, 175 U. S. 211. Neither consideration is pertinent here.